



Two Serbian soldiers guarding a UN soldier from Poland on Sunday, one of hundreds of peacekeepers held by Serbs.

Crisis in Bosnia Deepens As Serbs Add to Hostages

By Roger Cohen
New York Times Service

SARAJEVO, Bosnia-Herzegovina — Bosnia's crisis deepened on Sunday as its foreign minister was killed and Bosnian Serbs stepped up their humiliation of the United Nations by adding 33 British and 8 Canadian hostages.

Irfan Ljubijankic, 43, the Bosnian foreign minister, was killed when his helicopter was shot down by Serbian forces in Serbian-occupied Croatia, government officials said. The United Nations said the helicopter was downed by a missile.

Rebel Serbian forces in Croatia admitted that they had shot down the Bosnian helicopter near the Bihac enclave. A rebel Serbian statement said the helicopter was fired on near the Bosnia-Croatia border early Sunday because it was violating the "airspace" of the self-styled Serbian republic of Krajina in Croatia.

Mr. Ljubijankic was one of three co-presidents of the governing Muslim nationalist Party of Democratic Action.

His death came as separatist Serbs, apparently emboldened rather than cowed by

two NATO air strikes near their stronghold of Pale, took British soldiers captive at several UN observation posts near the eastern Bosnian town of Gorazde.

"The Bosnian Serb army is behaving like a terrorist organization," said Alexander Ivanko, a UN spokesman. It was the first time that the United Nations had referred to the Bosnian Serbs as terrorists, but this did not diminish the Serbs' apparent seizure of the political and military initiative.

The Serbs are now defying the two largest contributors of troops to the peacekeeping force — Britain and France. A total of 173 French troops are believed to be hostages or human shields in an attempt — successful until now — to deter further NATO military action. Eight Canadians were also detained Sunday.

European Union foreign ministers are due to meet in Brussels on Monday, and NATO foreign ministers in the Netherlands on Tuesday. It appeared unlikely that a decision on new NATO air attacks would be made before these meetings.

In the beleaguered Bosnian capital, Sarajevo, whose streets have emptied since shelling of the city resumed last month, the commander of UN troops in Bosnia, Lieu-

tenant General Rupert Smith, awaited political instructions Sunday from Western capitals on whether to attempt negotiation or use further force in order to secure the release of a total of 326 hostages. A UN official said 296 were UN soldiers and 30 were unarmed UN military observers.

"We have no problem with going either way — escalating or backing down — but we need some clear word," an official close to the general said.

General Smith, a British officer, spoke Sunday to General Ratko Mladic, commander of the Bosnian Serbs, and found him deeply irrational, the official added. General Mladic accused General Smith of breaking UN resolutions, being a pawn to the Bosnian government and bombing Serbian hospitals and schools.

The two generals had a particularly sharp exchange over the battle on Saturday between a Bosnian Serbian commando unit and French peacekeepers for control of a UN emplacement on Sarajevo's central Vrbanja bridge. The clash started

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Outraged West: Looking to Save Face

By Joseph Fitchett
International Herald Tribune

PARIS — France and Britain, although voicing outrage, appeared Sunday to have their hands tied in Bosnia.

Officials said that the hopes of both governments were pinned on a two-step process in which Russian intervention would free the scores of United Nations peacekeepers now held hostage by the Bosnian Serbs and clear the way for a redeployment of the peace forces with a view to limiting the risk of future humiliation.

"We're going toward smaller, more concentrated deployments because nobody wants any of the alternatives," a policy-maker involved in Western consultations on Bosnia said Sunday.

The other options are stepped-up use of NATO military strength or the withdrawal of UN forces. European officials seem to have concluded that either course of action would escalate hostilities — the ultimately unacceptable alternative for Western governments, including Washington.

[Britain said Sunday that it would increase its deployment of troops to Bosnia as soon as possible and "utterly condemned" the seizure of British peacekeepers by Bosnia forces, Reuters reported from London.

"The Ministry of Defence will be sending two artillery batteries and an armored engineer squadron to Bosnia as soon as possible," the government said after an emergency cabinet meeting.

Prime Minister Alain Juppé of France said Sunday that France saw no realistic military options beyond strengthening the position of the peacekeeping forces so that they could protect themselves against any repetition of what he called "the barbarity of the Bosnian Serbs."

While a redeployment along the lines suggested by Mr. Juppé could preserve a face-saving presence for UN forces, it would mean that the Bosnian Serbs had succeeded in their boldest defiance yet of the international community, particularly Europe and the United Nations.

As far as the French and other hostages were concerned, Mr. Juppé conceded that immediate hopes were pinned heavily on international pressure, including the influence of President Boris N. Yeltsin of Russia.

Russia's foreign and defense ministers were still in Moscow Sunday, Agence France-Presse quoted a Foreign Ministry spokesman as saying. Earlier, Prime Minister Viktor S. Chernomyrdin said Russia, in response to requests by European governments, was sending the two men "to meet the leaders of the warring parties in

Bosnia-Herzegovina and to try to convince them to end hostilities to avoid further NATO air strikes."

Mr. Juppé, often sounding defensive in a television interview Sunday, opposed more NATO air strikes of the sort that France supported last week until the hostages were taken. "We'd be better off without any more of them now than we've seen what they cause," he said.

The fundamental reality of Western policy in Bosnia, he said, was that an outside party is ready to use force to take back the Bosnian Serbs' gains — not Europe, not the United States, not Russia.

A fiasco in Bosnia will be the worst blow yet to the United Nations' claim to be able to command military units, even for peacekeeping. But NATO and the United States will also be damaged by a surrender to the latest acts of the Bosnian Serbs.

A move to pull back the UN peacekeepers into a tighter circle around the Bosnian capital, Sarajevo, would expose the outlying Muslim-populated enclaves in eastern Bosnia to being overrun by Bosnian Serbian forces.

"The Serbs seemed to be making the same mistake as Saddam Hussein when he used hostages as human shields and portrayed himself as inhuman and bestial, but

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Beijing Suspends Talks With U.S.

By Steven Mufson
Washington Post Service

BEIJING — China on Sunday suspended nuclear energy talks with the United States, a move that could lead to a new round of the nuclear energy talks, pushing out again over the decision to grant Taiwan's president, Lee Teng-hui, a visa to visit the United States.

In its sternest reaction yet to the permutation in U.S. policy toward Taiwan, the Chinese government put off a June visit by John Holman, director of the U.S.

Arms Control and Disarmament Agency.

The latest Chinese retaliatory moves touch on an issue dear to U.S. policy-makers, who have been eager to persuade China to stop missile sales to Pakistan or countries in the Middle East. U.S. negotiators have been pressing China to make public its past missile sales and appeared to have persuaded China to limit new sales.

Nuclear energy cooperation is limited because of U.S. restrictions imposed after the Chinese military crackdown on protesters on June 4, 1989.

In a brief report from the official Xinhua news agency, a Foreign Ministry spokesman charged that the visa for Mr. Lee "infringed upon China's sovereignty, violated the principles of the three Sino-U.S. joint communiqués and brought serious damage to Sino-U.S. relations."

China asserts that Taiwan is a province of the People's Republic of China and that the 1979 U.S. agreement to normalize relations with China meant that the United States would downgrade diplomatic relations with Taiwan, ruling

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Kantor Says There's Time To Resolve Auto Dispute

By Paul F. Horvitz
International Herald Tribune

WASHINGTON — Mickey Kantor, the U.S. trade representative, said Sunday that Japan had not yet ruled out discussions in late June aimed at resolving the U.S.-Japan trade dispute on automobiles.

"We have plenty of time to resolve this issue," Mr. Kantor said in a televised interview, denying reports that the Japanese had rejected the idea of recommending talks next month. He said Tokyo had neither accepted nor rejected Washington's offer to meet.

The two economic powers sharply disagree over who is to blame for the failure of U.S. automobile and auto-parts makers to penetrate the Japanese market. Twenty months of negotiations have left the issue unresolved.

An order by Washington that would double U.S. tariffs on 13 Japanese luxury automobiles is set to go into effect on June 28, and Mr. Kantor has offered to hold new talks in Washington on June 20 and 21.

"The Japanese want to meet with us," he said. "They sent us a letter. We said we would meet with them. We want to meet after the G-7 so that doesn't turn into a bilateral dispute."

The Group of Seven industrialized nations, including the United States and Japan, is due to meet in Halifax, Nova Scotia, on June 15, 16 and 17.

Mr. Kantor accused the Japanese of disseminating "wonderful propaganda" suggesting that American automakers did not send right-hand-drive cars to Japan, or those designed to be driven on the left-hand side of the road. As in Britain, drivers in Japan keep to the left.

Mr. Kantor said that a majority of U.S. auto types shipped to Japan were right-hand-drive vehicles.

"Frankly, we could put the steering wheel in the trunk and the Japanese would not allow us to sell it in Japan," he said. On the same news broadcast Sunday,

Carla Hills, Mr. Kantor's predecessor who served under President George Bush, was sharply critical of what she characterized as overly aggressive White House tactics. At one point, she said it was wrong to "bully" Tokyo, adding that the United States risked eroding its global credibility "in a very dangerous way."

Mrs. Hills noted that many Asian and European governments opposed steps by Washington that they saw as undermining the fledgling World Trade Organization, and she agreed that Mr. Kantor's plan to impose tariffs unilaterally could weaken the new trade body.

Another critic on Sunday was Senator Bill Bradley, Democrat of New Jersey, who is viewed as one of the Senate's experts on trade. He said that the United States needed Japanese help and support in dealing with Russia, China and North Korea and that the trade stance could undermine Japan's willingness to ally itself with Washington. An alternative to tariffs, he said, would be the launch of a new "Clinton round" of talks on trade competition policy.

Mrs. Hills said U.S. policy toward Japan on trade issues should be "very focused, very persistent," but should not undermine the domestic political standing of Japanese negotiators.

Warren Brown of The Washington Post reported earlier:

Part of the problem is simply that of where and when new talks might be held. Japan is seeking consultations with U.S.

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Peres Calls Golan Syrian Territory

TEL AVIV (AP) — Foreign Minister Shimon Peres said Sunday that the Golan Heights was Syrian territory, in a campaign to prepare Israelis for withdrawal from the area.

Officials spoke of a growing consensus in Prime Minister Yitzhak Rabin's cabinet over the "heavy price" that must be paid for peace with Syria.

Mr. Peres was quoted as telling King Hassan II of Morocco in weekend talks: "The Golan Heights is Syrian land."

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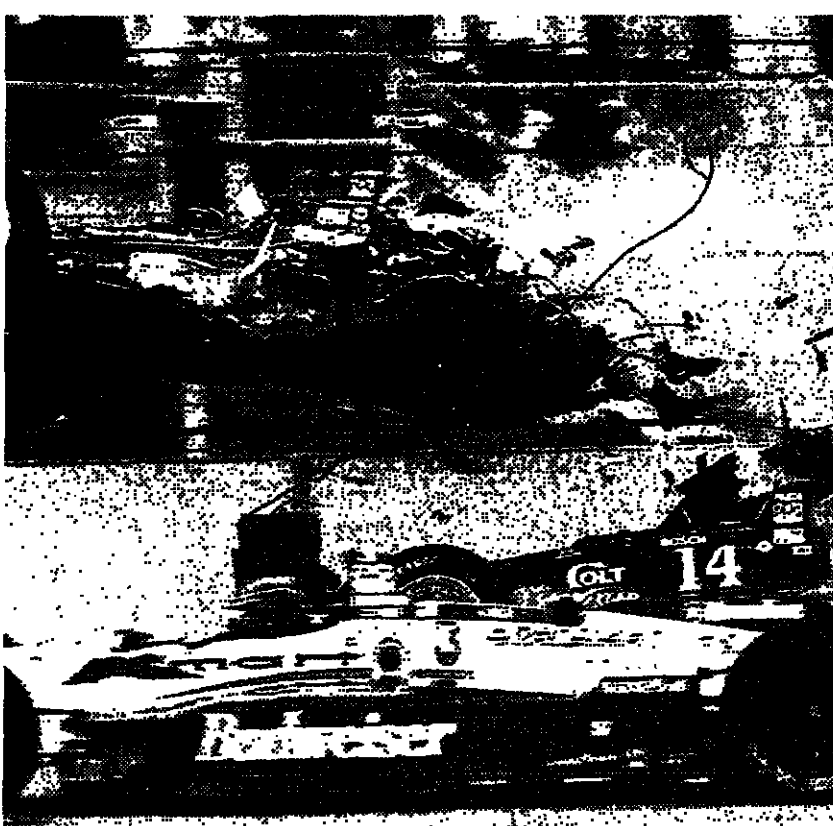
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AGENDA



FLYING AT INDY — The legs of Stan Fox dangling from his car during a first-lap crash Sunday with Eddie Cheever at the Indianapolis 500. Jacques Villeneuve won the race after Scott Goodyear was penalized. Page 21.

Thousands Trapped as Quake Hits Russian Isle

By Lee Hockstader
Washington Post Service

MOSCOW — A powerful earthquake rocked a large island off Russia's Pacific Coast on Sunday, flattening a remote oil-producing town and trapping several thousand residents beneath collapsed apartment blocks.

It was unclear from sketchy reports reaching Moscow how many people had died in the quake measuring 7.5 on the open-ended Richter scale, which struck the town of Neftegorsk on the Russian island of Sakhalin in the middle of the night.

Russian officials said most of the town's population of about 3,200 people had been buried in the rubble of five-story apartment buildings. By Sunday evening 70 bodies had been recovered from the debris as rescue efforts gathered speed, officials said. Hundreds more were believed injured.

President Boris N. Yeltsin asked for updates on the disaster every 30 minutes, according to Russia's first deputy prime minister, Oleg N. Soskovets. Mr. Soskovets, who was coordinating the crisis response in Moscow, was to fly late Sunday with a team of officials to the scene of the disaster, located eight time zones and more than 6,500 kilometers (4,000 miles) east of Moscow.

"I think this is the worst earthquake ever in Russia," Mr. Soskovets told Reuters news agency in Moscow. "It is a calamity. Judging by the nature of the destruction and the potential number of victims, it looks like the most terrible."

Raisa Mikhailova, a municipal spokeswoman in the district center of Okha in northern Sakhalin told The Associated Press that at least several hundred of the 3,000 or so people who were buried in the earthquake were saved by rescue teams or escaped to safety.

The quake's epicenter was about 145 kilometers south of the town of Okha in northern Sakhalin, along the coast, the Emergency Situations Ministry said. Neftegorsk is about 70 kilometers south of Okha. There were reports of some damage

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A New Stadium Activity: Revivals for Christian Men

By Laurie Goodstein
Washington Post Service

WASHINGTON — More than 52,000 men paid \$55 a piece for a seat at RFK Stadium and the secrets to becoming a successful modern man: Don't cheat on your wife or your taxes, hug other men, kiss the children, read the Bible at bedtime and invest in God.

A burgeoning Christian men's movement called Promise Keepers has made saving souls a masculine pursuit — especially for men inclined to believe that church is the province of women and children.

Promise Keepers packed RFK Stadium

here for 13½ hours of preaching, praying and hymn singing on Friday night and all day Saturday; the group expects to draw half a million men to stadium-sized events in 13 cities this year.

"You don't come here and feel like you're losing your masculinity because of your faith," said Tom Berlin, 31, pastor of a Methodist church.

Surveying the crowd, Mr. Berlin marveled that while every small worship group he has started in his church drew about "10 women and two men," he had had no trouble rounding up 15 men for the Promise Keepers weekend.

"Here, you come hear male role models,

real men," Mr. Berlin said. "Most men are looking for role models, for heroes."

Promise Keepers has caught on like a tent revival in summer since Bill McCarty, the former University of Colorado football coach, and a friend first envisioned packing sports stadiums with men rooting for Jesus to seize their souls.

The first conference in Boulder, Colorado, in 1991 drew about 4,200 disciples. It remained a Colorado event until last year, when Promise Keepers visited seven cities, attracting 278,000 men.

This year, the group has already sold out tickets to seven of its 13 events. The Washington weekend was the first, and only event scheduled for the East Coast.

Until now, Promise Keepers has been a bigger phenomenon in the South and the West, strongholds of conservative, evangelical Christianity.

Few religious revivals have such reach. The event here drew lunch-bucket men and expense-account men, white carpenters and black accountants, teenagers and grandfathers. They wore ponytails and sandals. They arrived by subway and motorcycle, in charter buses and minivans.

"You came here empty. You came here confused," the evangelist Luis Palau told the crowd, his image projected on screens

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Newstand Prices	
Andorra.....9.00 FF	Luxembourg.....80 L Fr
Antilles.....11.20 FF	Mexico.....13 Ch
Cameroon 1,400 CFA	Qatar.....8.00 Rials
Egypt.....E.P. 5000	Réunion.....11.20 FF
France.....9.00 FF	Saudi Arabia.....9.00 Rl
Gabon.....980 CFA	Senegal.....500 CFA
Greece.....350 Dr	Spain.....225 PTAS
Italy.....2,800 Lire	Tunisia.....T.L. 45,000
Ivory Coast 1,120 CFA	Turkey.....L. 45,000
Jordan.....J.D. 150	U.A.E.....5.50 Dirh
Lebanon.....US\$ 1.50	U.S. Mail (Eur.)...\$1.10

Poland Is the Key/Clinton and a Sense of History

Moving Cautiously on NATO Expansion Eastward

By Joseph Fitchett
International Herald Tribune

PARIS — It started at ceremonies inaugurating the Holocaust Museum in Washington in 1993. "Somehow the occasion gave Bill Clinton a sense of history for the first time and planted the seed that the alliance had to embrace Eastern Europe so war could never start again there," according to an American official deeply involved in the international debate about enlarging the North Atlantic Treaty Organization.

"Europeans keep getting it wrong because they don't understand that the president has been forward-leaning on this all along, even when the rest of this administration was made up of Russia-firsters uncomfortable with the idea," he added.

Other officials in Washington agree that Mr. Clinton — or Vice President Al Gore or W. Anthony Lake, the national security adviser — have repeatedly intervened to keep up the momentum of a campaign that has unsettled many European allies and angered Russia.

But the plan has enthusiastic support among the candidate members in Eastern Europe. Starting in 1993 in Washington, the pleas by President Lech Walesa of Poland and President Vaclav Havel of the Czech Republic have constantly fueled Mr. Clinton's determination.

Poland is the key country in this regard because of its size and location, large armed forces and troubled history with its neighbors. "All we really need is Poland," according to a European official at allied headquarters, "but nobody can say so because that undercuts the official rhetoric about NATO expansion helping consolidate democracy in the whole region."

It is typical of the ambiguities that have made the enlargement process so elusive, often for the allies and certainly for Moscow. A combination of uncertainty about U.S. determination and concern to avoid offending the Russians has kept the alliance from asking the obvious questions: How much will it cost? Does enlargement carry a nuclear guarantee for new members? Will these East European forces buy U.S.-made weapons? Will they provide significant military reinforcement for international intervention?

Most surprising of all, the debate — potentially the most important item of diplomatic business since the end of the Cold War — has not become public, even among most legislators. When the Senate last month held the first hearings on the topic, opponents asserted that enlargement of NATO would endanger security in Europe, not secure it.

"To expand NATO's membership without a new understanding of what the Western alliance is all about displays the same kind of logic that leads a couple in a deeply troubled marriage to forgo marital therapy and have a baby instead," a former American official said.

Another critic testified that enlargement could jeopardize U.S.-Russian cooperation on nuclear questions, the main security problem in Europe.

A study group at the Council on Foreign Relations recommended recently that NATO should go to the brink of acquiring new members and then make actual enlargement contingent on Russian behavior.

The trouble, with waiting is that when a

Russian threat arises, any move to admit new members would be denounced as provocative — and probably come too late anyway.

These arguments have been championed by the Republican majorities in both houses of Congress and by such strategists as Henry A. Kissinger. They want Mr. Clinton to insist that allied governments move promptly on enlargement.

American officials said last week that Washington seemed set to deliver. Since the Moscow summit meeting last month between Mr. Clinton and President Boris N. Yeltsin of Russia, these officials say that the White House has sent an unmistakable signal to allies, candidates for membership and Russia that the United States is determined to see NATO expand, perhaps as early as next year.

WHILE Russia has not acquiesced, Mr. Yeltsin, after discussing it with Mr. Clinton, promised that his country would sign up for limited cooperation with the alliance at a meeting of NATO foreign ministers this week in the Netherlands.

That meeting is also supposed to square the diplomatic circle of moving toward talks with candidate countries and finding a way to reassure the Russians that their security needs are not being ignored.

The formula involves creating a special relationship for Russia with regard to NATO, giving Moscow what one official calls "a voice but not a veto" in allied actions on European security.

On the one hand, NATO does not want to scare Moscow into trying to recover military influence in neighboring countries, especially Ukraine. But the alliance also wants to avoid letting Poland, the Czech Republic and other new democracies feel that NATO ultimately recognizes some kind of Russian authority over their fate.

To keep this balance, a formula was worked out last December in Moscow by Mr. Gore and Prime Minister Viktor S. Chernomyrdin that the two tracks should be kept "in parallel" — NATO talks with Russia and NATO talks among allies and, this fall, with prospective new members.

But pro-enlargement officials in Washington and Brussels said recently that the discussions in the "Russia track" had moved farther than the debate among allies. Contrary to appearances, "they have told us a lot of what they want: no NATO troops in new members, no nukes in those countries, and no exclusion for Russia from future weapons purchases by those governments," according to an American specialist.

Meanwhile, there have been no official meetings between the commanders and strategists of allied countries and East European countries to discuss the implications of membership. "We're not talking to anybody yet until the allies have worked it out among ourselves and then we talk to everybody," Assistant Secretary of State Richard C. Holbrooke said recently.

Mr. Holbrooke, after a brief tenure as ambassador to Germany, was brought back last year, insiders say, mainly to be a point man on enlargement, since the lead policymaker on Europe, Deputy Secretary of State Strobe Talbott, has the job of staying on good terms with the Russian leadership.

In particular, Mr. Holbrooke has the task



American and Polish soldiers during a training exercise in Poland last autumn.

of trying to ensure a Senate majority to ratify a NATO enlargement package once it is ready, including the question of a U.S. nuclear guarantee to new members.

Advocates of enlargement have argued that the NATO charter is ambiguous enough to allow the White House to duck hard questions about precise military commitments.

But an American official at NATO said recently that public opinion took a more commonsense view. "Visiting Americans are enthusiastic about expanding NATO," he said, "but if someone mentions the nuclear question, they tend to say: 'Oh, I'll have to think about that one.'"

FOR European governments, the unanswered questions loom even larger because enlargement is liable to dilute some traditional aspects of an alliance that worked so well during the Cold War.

"It may not actually dilute anything but jobs, but certainly it will transform the alliance in ways that will be challenging," according to Ron S. Asmus, an analyst at the Rand Corp. in California and one of the most articulate U.S. proponents of enlargement.

While new members could count on NATO as a bulwark if Russia reverts to a hard-line regime, the alliance will also expect the new entrants to join in peacekeeping operations and other missions beyond their frontiers.

Depending on how far and fast integration proceeds, the best estimates of cost run upward of \$50 billion in the next five years — not much in the realm of defense spending but a sizable sum for budget-conscious democracies.

That figure also works on the assumption — which no official will utter publicly — that NATO growth will proceed in stages. In this century, only Poland, the Czech Republic, Hungary and perhaps Slovenia seem likely to be admitted.

Behind the scenes, many Western strategists would be more comfortable if the alliance admitted only Poland, the key nation, and the Czech Republic, which has longstanding ties with the West. But a larger intake seems unavoidable, officials say, because the alliance says that the purpose of enlargement is to reinforce stability in all the new democracies that qualify for membership.

"It's part of the credibility problem which the West has caused for itself with overgenerous rhetoric toward all the countries in the former Soviet bloc," a British official said.

For that reason, European governments have urged Washington to tell the Russian leadership bluntly that their country is too big to be in NATO and too important to ignore.

This tough-minded warning from the allies seems to be a sign that they are starting to realize that Mr. Clinton means it, after all.

Spanish Centrists Lead Regional Poll

The Associated Press

MADRID — The center-right Popular Party appeared to be headed for victory over Prime Minister Felipe Gonzalez's governing Socialists in regional and municipal elections Sunday that are widely seen as a preview of general elections sometime next year.

Exit polls conducted by four organizations indicated that the Popular Party would control at least seven of the 13 regional governments being contested, up from two in 1991.

But a spokesman for the Popular Party, Mariano Rajoy, said his party was leading in 11 regions.

"The Popular Party has won a clear victory," Mr. Rajoy said. "These are not definitive figures, but we can say clearly that we have won the elections."

The exit polls indicated that the Popular Party had won control of a majority of Spain's 10 largest cities, excluding Barcelona and Bilbao. Madrid, the nation's capital, remained under Popular Party control.

The Socialists now control 13 of Spain's 20 largest cities, versus 3 held by the Popular Party. Mr. Rajoy predicted that fi-

nal results would give his party a plurality in at least 41 of Spain's 52 provincial capitals, with the Socialists winning a plurality in just four or five capitals.

The Socialists, who have held the national government in Madrid since 1982, control seven of the 13 regions and govern another in coalition.

An exit poll for Antena 3 television said the Popular Party would win an absolute majority in the regions of Madrid, Castilla y León, Castile-La Mancha, Murcia, La Rioja, and Navarra, where it ran on a joint ticket with a regional party.

The poll said the Popular Party won a plurality in the regions of Aragón, Cantabria and Valencia.

Independent exit polls conducted for state television and radio and several private radio and television stations indicated similar results.

The leader of the Popular Party, José María Aznar, predicted during the campaign that a strong showing Sunday would pave the way for his party to end the Socialists' 13 years in national office in the next general elections.

Murdoch Will Wait On Italian TV Offer

By Alan Friedman
International Herald Tribune

MILAN — Rupert Murdoch will wait until after Italy holds its referendum on the future of the television sector before deciding whether to make a formal offer for former Prime Minister Silvio Berlusconi's television networks, according to an adviser.

The aide, who requested anonymity, said that before going ahead, Mr. Murdoch was trying to better understand the shape of Italian politics as well as the finances of Mr. Berlusconi's debt-laden Fininvest group.

He said Mr. Murdoch traveled to Rome last week for a luncheon meeting with Mr. Berlusconi "not so much to negotiate, but to eyeball Berlusconi and try to get a light on him." Mr. Murdoch is also believed to have contacted Gianni Agnelli, the Fiat chairman, to ask his advice.

The referendum on June 11 could force Mr. Berlusconi to sell two of his three Italian television networks. For the past two weeks, ever since Mr. Berlusconi's company said it had received a \$2.8 billion offer

from Mr. Murdoch's News Corp., the prospect of an offer has featured prominently in the Italian political debate.

Mr. Berlusconi's political opponents have accused him of manipulating the talks with Mr. Murdoch to stir up nationalist sentiment in order to protect his interests.

The Murdoch adviser made clear in a telephone interview on Friday night that the offer had been made, and that the due diligence examination of Fininvest's financial accounts had not yet been completed.

Mr. Murdoch, meanwhile, said in an interview published Sunday in *La Stampa* newspaper that he hoped a deal might be concluded in the next few months. "Our intention," he was quoted as saying, "would be to acquire all three television networks. And if the referendum allows it, we would keep them together and search immediately for an Italian partner to take up 49 percent."

Most Italian television industry experts believe that Mr. Murdoch's negotiating position would only strengthen if Mr. Berlusconi were to lose the referendum on June 11.

TRAVEL UPDATE

Australia's New Lure to Asia: Culture

SYDNEY (Reuters) — Australia is set to embark on a \$72 million publicity campaign to persuade Asian tourists that the country is not a cultural desert with a "rock in the center," but that it has a rich artistic landscape worth seeing.

The three-year campaign, to begin next September, will also run in North America and Europe but faces its biggest challenge in Asian countries, where people do not believe Australia has any culture at all, a senior tourism official said.

"Where we are considered to be absolutely zero in terms of culture" is with the Japanese and the Asians, the managing director of the Australian Tourist Commission, Jon Hutchinson, said. He was speaking at the end of the weeklong Australian Tourism Exchange, where for the first time ballet and opera companies were featured among the 370 exhibits.

Road transportation across Bangladesh was affected Sunday as thousands of transport workers, including drivers, joined in a 48-hour strike. The striking workers demand that a law providing for deaths in road accidents be scrapped. They also want the government to provide motor spare parts at a cheap price.

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Bahrain, Central African Republic, Colombia, Ghana, Iraq, Jordan, Syria, United States, Venezuela.
TUESDAY: Bahrain, Croatia, Tunisia.
WEDNESDAY: Brunei, Indonesia.
THURSDAY: Azerbaijan, China, Kenya.
FRIDAY: Bahamas, Bhutan, El Salvador, Hong Kong, Macao, Thailand.
SATURDAY: Malaysia.

Sources: J.P. Morgan, Reuters

Ostracized in Zaire: Relatives of Ebola Victims

By Howard W. French
New York Times Service

KIKWIT, Zaire — For Congo Malele, the news that her

sister was being moved from Ward 3 to Ward 2 in the overtaxed hospital here, the epicenter of Zaire's Ebola virus epidemic, was a sign of hope.

Like nearly everyone in this city of 500,000, Miss Malele, a 24-year-old student, had come to regard Ward 3 as a sort of terminus for those stricken by the disease, whose symptoms of bloody diarrhea and vomiting are known and dreaded by all.

"You have to avoid touching their blood, their saliva, their vomit or their stools," Miss Malele explained, confident that, with her mastery of these precautions, she would soon be given gloves and a mask and allowed to enter the ward to see her older sister, a nurse-trainee.

What she had not been told was that Ward 2 is not a place of convalescence for the small number of people who recover from the deadly virus, but rather another place for the dying. Doctors said Ward 3 had become too small to handle all of Ebola's emaciated victims.

"If you go in there, you don't come out, and that's that," a nurse firmly told Miss Malele as she waited just behind a taped cordon outside Ward 2, hoping to go in and see her sister. "We can't take the risk of you carrying the disease home

to your family and having this spread further."

Left unsaid was that Miss Malele's sister, like the 160 or so other confirmed or suspected victims, was unlikely to recover.

Jubenne Kinkasa, who used a narrow spade to shovel dusty soil onto her mother's coffin at a nearby roadside cemetery, had already learned that lesson. Working under a merciless sun and stopping every few moments to cry, Miss Kinkasa explained how her mother had contracted the disease from her sister Solange, who is also a nurse and was Miss Malele's sister's best friend at Kikwit Hospital.

"Today it is my mother, on the 16th it was Solange," Miss Kinkasa said, pointing to the nearby grave of her sister. A slight protrusion of soil, it was adorned only with a crude wooden cross and the empty boxes of medicines that had failed to save her.

Miss Kinkasa, 30, wearing gloves and a mask, spoke of another hard truth absorbed by people related to those stricken by the epidemic: Most have been chased away from their homes by frightened neighbors, and are scorned as if they were damned.

"The disease has already taken from me those I love most."

Miss Kinkasa said as wary on-lookers gathered in the distance, many of them shielding their faces with clothing. "I am not worried for myself. What hurts most is that we have been abandoned by society. I am hungry right now, and people are too afraid to even sell me food."

For the doctors and international experts who have converged on this town 300 miles east of Kinshasa, the capital, these are the last scenes of a fading though still-mysterious epidemic.

"The outbreak is pretty much finished," said Gunnar Rodier, an epidemiologist from the World Health Organization in Geneva who has been piecing together the chain of transmission of the Ebola virus.

After a three-week period in which doctors identified about 160 confirmed or suspected cases of Ebola infection, only six new cases have been reported in Zaire over the last week, the World Health Organization announced Friday.

"My mother died at 10 this morning," said Mula Kinkita, a 29-year-old man who was found vigorously washing his pink-gloved hands in a shallow plastic bowl in front of his one-room mud house.

Speaking over the objections

of his sister, who told her brother to tell a visitor only that their mother had died of "trembling disease," Mr. Kinkita explained the progression of symptoms. As he spoke, fearful neighbors gathered around the perimeter of their small plot of land to listen.

"She got sick with a fever on Sunday, and it just kept getting worse," said Mr. Kinkita. His mother's body, wrapped in a sheet, was visible through a back window. "Yesterday she started vomiting and having diarrhea, and when we woke up this morning she was trembling. I gave her aspirin and nivaquine, but then she just died."

Nivaquine is a common anti-malaria drug. Just down the road, the ostracism suffered by the victims' relatives could be felt everywhere. In one courtyard, where girls and young women, their heads shaven in mourning, pounded cassava for their dinner meal, all insisted that their father had died last week from having eaten a poisoned fruit.

■ **6th Nun Dies in Epidemic**
The toll in Zaire's epidemic of Ebola virus rose to 122 Sunday when a sixth Italian nun died in Kikwit after contracting the disease caring for the sick. Agence France-Presse reported.

Jerusalem Is Israel's, Rabin Says

Reuters

JERUSALEM — Israel marked 28 years of rule over Jerusalem on Sunday, vowing to fight for its claim to the whole of the city as its capital.

While Israelis held flag-waving marches and tributes to fallen soldiers, Palestinians, who view Arab East Jerusalem as the capital of their own future state, staged protests on Israel's "Jerusalem Day."

Prime Minister Yitzhak Rabin's cabinet said in a statement: "The government will act to reinforce the status of united Jerusalem as the capital of Israel alone and will fight any attempt to harm this status."

The Palestine Liberation Organization called Israel's celebrations "another obstacle" on the road to peace.

Passions over Jerusalem have been inflamed in the last month by Israel's announcement that it would confiscate Arab land for Jewish housing and a police station. Under pressure at home and abroad, however, Mr. Rabin froze the plan.

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Argentina	001-800-777-1111	Czech Republic	0042-087-187	Italy	172-1877	Paraguay	000-99-9977
Armenia	8-10-155	Denmark	800-1-0877	Jamaica (Nassau)	875	Peru	171
Australia (Sydney)	1-800-351-10	Ecuador	099-11	Jamaica (other)	1-800-877-8000	Philippines (Manila)	105-01
Australia (Sydney)	1-800-351-10	Egypt (Cairo)	356-4777	Japan (Tokyo)	006-3-577	Philippines (Manila)	105-01
Austria	022-023-014	El Salvador	191	Japan (other)	002-121	Poland	004-00-1-177
Bahamas	1-800-389-2111	Finland	004-090-100-3	Korea	002-121	Portugal	00351-21-177
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Bulgaria	00359-1010	Hungary	0036-1-001-877	Malaysia	0060-3-111	Sierra Leone	00224-177
Canada	1-800-366-4663	India	0091-001-13	Mexico	0052-001-13	Singapore	0065-001-13
Cayman Islands	009-0017	Indonesia (Jakarta)	0062-001-13	Netherlands	0031-001-13	Slovak Republic	00421-001-13
Chile	0056-13	Indonesia (Surabaya)	0062-001-13	Netherlands	0031-001-13	South Africa	0027-001-13
China	0086-10-10	Iran	0098-001-13	New Zealand	0064-001-13	Spain	0034-001-13
Colombia	0057-001-13	Israel	00972-001-13	New Zealand	0064-001-13	Sweden	0046-001-13
Costa Rica	00502-001-13	Israel	00972-001-13	New Zealand	0064-001-13	Switzerland	0041-001-13

THE AMERICAS

8 Billion Cigarettes Recalled by Maker

By Sharon Walsh
and Curt Supplee
Washington Post Service

WASHINGTON — Philip Morris Cos. has recalled 8 billion cigarettes — including the most popular brand sold in the United States, Marlboro — saying that a contaminant in the cigarettes' filters had produced a toxic chemical that is used as a pesticide.

Philip Morris's president, James J. Morgan, said it was possible that the contaminant had not reached any cigarettes later distributed to retail outlets.

But because the company could not be certain of that, he said, it had decided to recall all of the brands involved and will refund customers' money.

The chemical, methyl isothiocyanate, or MITC, may cause eye, nose and throat irritation, dizziness, coughing or wheezing. Marlboro is also one of the largest-selling brands overseas, but the company said none of its cigarettes sold internationally had been affected.

The company, which makes a billion cigarettes a day in the United States, said it was the first time it had ever issued a recall, and analysts said they could not remember another recall in the industry.

Other Philip Morris brands involved include Benson & Hedges, Merit, Virginia Slims and Basic.

Employees of Philip Morris first noticed an unusual odor coming from the raw materials used to make filters in its plant in Cabarrus, North Carolina, on May 19, according to Richard Carchman, director of scientific affairs for the company.

The company's other two factories, in Louisville, Kentucky, and Richmond, Virginia, were notified, shut down and cleaned out after the discovery, he said.

All cigarettes already produced were held at the plants instead of being sent to wholesalers and retailers.

"We were just barely able to measure the MITC," Mr. Carchman said. "It was an infinitesimal amount. But as a precautionary matter, we decided to pull back all the materials we'd sent out in the last week or two."

Mr. Carchman said that even if the chemical had not been one that would irritate smokers' eyes and noses and cause coughing and wheezing, the company would have recalled the cigarettes because those containing the substance would taste and smell bad.

But, according to an August 1994 paper in the medical journal *Chest*, "since MITC may cause irritant effects at levels below the odor-detection threshold, odor detection is not a reliable marker of exposure."

Denise Keane, Philip Morris's general counsel, said there had been no signs of illness or complaints from consumers.

The contaminant was brought into the company in a raw material bought from Hoechst AG's U.S. Celanese unit, an outside vendor to Philip Morris, officials said.

Rebecca H. Barfield, a CS First Boston Group financial analyst who follows Philip Morris, estimated that the recall would cost the company \$250 million or more.

Philip Morris's stock fell \$2 Friday, closing at \$69.875 on the New York Stock Exchange.



FLOOD THREAT — Volunteers and prison inmates reinforcing a levee in Meredosia, Illinois. As rain fell and the Illinois, Missouri and Mississippi rivers continued to rise, residents in some parts of the Midwest were evacuated.

Republicans Hope Success Breeds Success

By Adam Clymer
New York Times Service

WASHINGTON — In their five months in control of Congress, the Republicans have lost only one big vote that they expected to win, when the Senate resisted the balanced-budget amendment. Yet, this city is constantly alert for signs of disarray and division, wondering if the moment of collapse is at hand.

Not to worry. Or, if your sympathies are with the Democrats, not to hope.

As they left for Memorial Day parades, presidential campaign fund-raisers and any potential crosses between the two (like Newt Gingrich's New Hampshire Moose Watch), Republicans in both houses could boast of their budget resolutions.

The House of Representatives and the Senate had passed similar documents aimed at undoing much of what the federal government has become since the New Deal, and at balancing the budget in the year 2002.

The two chambers may not be in lockstep on tax cuts, and there may be some uncertainty about how broadly to exert congressional authority over details of foreign policy, which Republican presidents used to tell Democratic Congresses not to touch. But the House and Senate are united in their determination to show.

In the House this month, all but one of the 231 Republicans voted for the budget resolution, joined by eight dissenting Democrats. In the Senate, the 54 Republicans were unanimous, and three Democrats deserted their party to join them.

The House brooked no amendments at all, and in the Senate only three significant ones were adopted on the floor. One, with a majority of Republicans joining all but three Democrats, restored 90 percent

of a cut in medical research money. A second defended subsidized student loans.

The third, which defeated a plan to kill off public financing of presidential elections, was an example of how Republicans can get into trouble by being cute.

The scheme, a hobbyhorse of Senator Mitch McConnell of Kentucky, was never considered in hearings and ran into a buzz saw of opposition from the League of Women Voters, Common Cause and 10 Republican senators who recalled their president's Watergate scandal, which produced the public financing law in the first place.

Ideas even more startling flourish in the House, where half a day is considered adequate to hear testimony on amending the Constitution and 40 years of power have created an atmosphere in which idle chatter is sometimes mistaken by the new majority for serious policy discussion. Sending an envoy to Tibet to negotiate its freedom from Beijing is one such concept.

But the travails of these excursions, whether amusing or dangerous, are no measure of success. The test is the Republicans' ability to cut spending, especially on programs that are unimportant to its constituents. The Democrats, especially in the Senate and the White House, have become better at challenging the Republicans.

President Bill Clinton's threat to veto a bill that would take back money already approved for spending this year was the sort of firmness his colleagues in Capitol Hill hope for (just as his meandering on New Hampshire radio about balanced budgets was what infuriated them).

House Democrats are having more trouble making an impact. Senate rules glorify and empower minorities, but House rules can be used to quash

them. And just as Senate Democrats learned the effectiveness of delay from Bob Dole's Republicans, Mr. Gingrich and his colleagues learned from House Democrats how to ignore the minority.

House Democrats did not learn from Mr. Gingrich how to be noisy and effective even while being steamrolled, although they have taken to filing a series of ethics charges against him, as he did against an earlier speaker, Jim Wright.

Many in Washington cherish the thought that Republican

failure in Congress is inevitable, even if no one knows just where it will come, or when.

And from the start, the Republicans themselves have acknowledged that the next part of the agenda, actually cutting spending, will be harder than just promising to.

They may run into a brick wall yet if Mr. Clinton's will on vetoes proves as strong as his language. But so far, as Thomas E. Mann of the Brookings Institution observed: "Success breeds success. That has a way of keeping the troops together."

Researchers Consider a New Step in Treating Drinkers

By Lisa W. Foderaro
New York Times Service

NEW YORK — He was in his mid-20s, an age when drinking until the small hours with a bunch of friends weekend after weekend is still called partying rather than alcoholism. Twice the man, an installer of security systems from Nassau County, New York, was arrested for drunken driving.

After the second arrest, the state Department of Motor Vehicles took away his license and told him to begin a standard treatment regimen: 20 weeks of intensive therapy and abstinence.

"All of a sudden," he said, "you get a DWI and you have to get weeks and weeks of treatment, and you're branded as an alcoholic. At one time, I was a problem drinker. But I was never an alcoholic."

Now 30 years old, the security technician says he wants to stay healthy but without giving up drinking altogether. He is thus challenging one of the central tenets of alcohol treatment in the United States.

For decades, doctors and therapists have focused on the alcoholic, with a lifetime of abstinence and Alcoholics Anonymous, or AA, meetings the standard prescription.

People with milder drinking problems who did not meet the two major criteria for alcoholism — high tolerance and signs of withdrawal — were either classified as incipient alcoholics and put into inpatient programs, or got no help at all.

The prevailing view was, and largely still is, once an alcoholic, always an alcoholic.

But now some researchers

have begun to ask two related questions: Can people who drink too much, yet who are not yet alcoholics, cut back on their drinking without abstaining altogether?

And can recovering alcoholics go back to drinking at a moderate level?

Among professionals in a field still considered more art than science, the questions have stirred a vigorous debate about the proper way of treating drinkers.

In one of the first efforts of its kind, the Center of Alcohol Studies, a research institute at Rutgers University in Piscataway, New Jersey, recently established a treatment program to help alcohol abusers reduce their drinking through short-term counseling sessions known as "brief interventions."

And a new self-help program called Moderation Management has set up chapters in a half-dozen communities, from Los Angeles to Hicksville, New York, offering guidelines and support to people who, like the security technician, want to curb their drinking rather than stop it.

Many experts who are challenging the one-size-fits-all treatment philosophy point to recent studies in Europe and the United States that show the success of brief outpatient treatment programs that do not require abstinence.

Dr. Frederick Rogers, an assistant research professor and director of research protocols at the Rutgers center, said:

"Unfortunately, in this country, for many, many years even to talk about people with a drinking problem simply cutting down has been anathema."

"Among dyed-in-the-wool 12-step followers, it is heresy," he added. "Among pragmatic people who are reading the scientific literature, it's no longer heresy."

He was referring to AA's program of abstinence, which is based on a 12-step approach.

Other experts, though, worry that the moderation movement may go too far, giving true alcoholics an excuse to keep on drinking.

"In general," said Dr. Daniel K. Flavin, "it's not a good idea

under any circumstances to encourage an alcoholic to moderate, or the heavy drinker whose natural history would be to go on to alcoholism. How do you tease those people out?"

Dr. Flavin is the medical and scientific director of the National Council on Alcoholism and Drug Dependence.

The Rutgers center aims at people who fall somewhere between light drinkers — those who consume up to three drinks a week — and alcoholics. They include people who have been

arrested for drunken driving, those who are experiencing strains in their relationships or those who are simply concerned about the health risks of drinking too much.

Through an assessment that includes neurological tests, blood tests and detailed questions about drinking behavior, Rutgers first tries to show patients how their drinking compares with national norms and then points out the risks of continuing that level of consumption.

Several tips on how to cut back are covered, from alternating alcoholic drinks with non-alcoholic beverages to avoiding refills before the glass is empty, which helps drinkers keep track of the number of drinks.

The patients may then choose from programs intended to help them achieve either abstinence or moderation, including meeting with a therapist once a week for four to six weeks, or just checking in with a therapist while working through a self-help manual.

Several tips on how to cut back are covered, from alternating alcoholic drinks with non-alcoholic beverages to avoiding refills before the glass is empty, which helps drinkers keep track of the number of drinks.

POLITICAL NOTES

Rollins Quits as Dole Consultant

WASHINGTON — Ed Rollins, a political consultant, has resigned from Senator Bob Dole's presidential campaign after calling two Jewish congressmen "Hyman boys."

"I can confirm to you that Ed Rollins has left," a spokesman for Mr. Dole, the Senate majority leader, said Sunday.

Mr. Rollins had spent less than a month as an unpaid political adviser to the Dole campaign. Mr. Rollins made the remark at a party this month for the California Assembly speaker, Willie Brown.

Two years ago, Mr. Rollins sparked an uproar when he claimed he had paid off black ministers during the New Jersey governor's race. Mr. Rollins later said he had fabricated the story.

(AP)

Amid Rainbows, Talk of 3d Party

ATLANTA — While opposition to the Republican congressional agenda dominated the weekend, growing discontent with the Democratic Party under President Bill Clinton produced increased talk of a third party for the 1996 election.

At times comparing the work that blacks and other minorities have done for Democrats to slavery and sharecropping, the Reverend Jesse Jackson told the organization: "We delivered. Then they ignored us. We do not intend to be ignored, taken for granted, pushed off and exploited any longer."

Without committing himself to a third-party presidential bid, he said the organization "must develop independent ballot access" in states and localities.

(WP)

Dollar Coin Rolls Around Again

WASHINGTON — The Clinton administration is sticking by the greenback. The U.S. Mint director, Philip N. Diehl, said the administration would oppose a measure included in the House Republican budget that calls for replacing the dollar bill with a new \$1 coin.

"This is another attempt to force the American people to accept something that they've rejected twice in the past 25 years," Mr. Diehl said, referring to the failures of a Dwight D. Eisenhower dollar produced in the early 1970s and the Susan B. Anthony dollar, first minted in 1979.

Republicans have claimed that the metal dollar would save from \$400 million to \$800 million a year because a \$1 coin would circulate for 30 years compared with a paper dollar, which typically lasts 18 months.

(WP)

Quote / Unquote

W. Anthony Lake, White House national security adviser, at commencement exercises at the University of Massachusetts, on congressional cuts in foreign aid: "You are the world's best hope in the fight against the forces of fear. Some would deny us the tools we need to wage that fight. These are the backdoor isolationists — people who give speeches about how the United States must fight for peace, democracy and prosperity — but are not willing to back their words with the resources that today's fight demands."

(Reuters)

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Krakow		15:20
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Minsk		15:30
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Riga (from Oct 1st)		14:55
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EUROPE

After 50 Years, Germans Not Yet Absolved

By Stephen Kinzer
New York Times Service

BERLIN — Emerging from a month of 50th-anniversary ceremonies recalling the end of World War II in Europe, Germany has received much praise for the frankness with which it is facing its Nazi past.

In ceremonies at concentration camps and battlefields, and at the observance of the German surrender, politicians proclaimed their sense of shame and responsibility, and foreign leaders hailed Germany's willingness to confront the horror in its history.

But also during the last month or so, several disturbing episodes have served to remind Germans that history has not yet forgotten or absolved them. Each of the incidents is small in itself. Taken together, especially against the background of the many memorial events, they illustrate the difficulties of dealing with an evil that is both so enormous and so recent.

In April, religious groups seeking to honor the memory of Dietrich Bonhoeffer, an anti-Nazi theologian, found to their astonishment that he is still legally considered a traitor to Germany. Mr. Bonhoeffer

was arrested in 1943 after calling Hitler "the Anti-Christ" and urging fellow clergymen to oppose the Nazis. He was tried and executed.

In 1951, a Munich court refused to grant Mr. Bonhoeffer a posthumous pardon, ruling that his sentence was legal under laws of the Nazi era. A member of Parliament recently demanded that the case be reopened, but the courts have not responded.

In the years since 1945, we have failed to confront the Nazi legal system, much less rectify its injustices," Justice Minister Sabine Leutheusser-Schnarren-

berger conceded in a speech after the Bonhoeffer case came to light.

Also in April, the retired dean of a university in Aachen, Hans Schwerte, was forced to admit that he had changed his name after the war to avoid being recognized as a former SS officer who, while serving in the Netherlands, procured medical devices to be used in barbaric experiments on inmates at the Dachau concentration camp. He confessed his past only after being investigated by a Dutch television team.

In a similar case, a 71-year-



ARMS AND THE CHURCH — A Lithuanian priest blessing soldiers during an oath-taking ceremony in Vilnius.

BRIEFLY EUROPE

EU Set to Take Possession Of Its New Headquarters

BRUSSELS — The European Union takes possession Monday of its new headquarters, the first time the bloc's Council of Ministers has actually owned its own home.

The gray-pink granite-clad monolith, resembling a giant blockhouse, cost 13.5 billion Belgian francs (\$455 million) and towers over the Robert Schuman roundabout in the heart of the Euro-quarter of Brussels.

For eight months every year, it will be home to all EU ministerial meetings as well as hosting the almost daily gatherings of officials. The building also houses the secretariat's 2,500 staff and has facilities for 1,000 reporters. Great pains have been taken to ensure that they can get nowhere near their quarry — the ministers. (Reuters)

Farm Talks Are Scheduled

BRUSSELS — European Union farm ministers will meet Monday to discuss plans to change the way farmers are compensated for losses due to currency turmoil, but they may put off a decisive battle until next month.

Officials said the new president of the farm council, Agriculture Minister Philippe Vasseur of France, will first want to make contact with ministers and sound out their positions.

A decision is needed before a revaluation of the Belgian franc green rate on June 25. Green rates are used to convert EU farm subsidies, calculated in European Currency Units, into local currencies. The European Commission has warned that a 3 percent revaluation would trigger compensation of more than one billion Ecus (\$1.3 billion) to farmers. (Reuters)

Norwegians Cooler on EU

OSLO — Norwegian support for joining the European Union has fallen even more in the six months since the country rejected membership in

a referendum, a survey published here indicated. The opinion poll, published Saturday in the daily Aftenposten, showed that 56 percent of the 607 people questioned opposed membership, while 34 percent were in favor and 11 percent undecided. The figures total 101 because the percentages have been rounded up.

Norwegians rejected membership by a vote of 52.2 percent to 47.8 on Nov. 28. (AFP)

Belgians Meet on Cabinet

BRUSSELS — Belgium's King Albert asked the outgoing prime minister, Jean-Luc Dehaene, on Sunday to form a new coalition government, the press agency Belga reported.

Mr. Dehaene, a member of the Flemish Christian People's Party, accepted, the agency added. The king started consultations with the leaders of Belgium's political parties last Monday, following a general election on May 21.

Political analysts said they expected the new coalition to be made up of Christian Democrats and Socialists. The center-left parties survived the election virtually unscathed. (Reuters)

Calendar

European Union events scheduled for Monday:

BRUSSELS: EU foreign ministers meet under the presidency of the new French foreign minister, Hervé de Larosière, to prepare for the EU summit meeting scheduled for June 26-27 in Cannes. Talks are due to last through Tuesday.

PARIS: EU Transport Commissioner Neil Kinnock will meet Transport Minister Bernard Pons of France.

VIENNA: Monika Wulf-Mathies, regional policy commissioner, meets with Austrian Chancellor Franz Vranitzky and Secretary of State Brigitte Ederer.

Sources: Agence Europe, AFP.

Juppé Says Jobs Outrank French Deficit

PARIS — Prime Minister Alain Juppé said Sunday that he was prepared to let the budget deficit initially rise, even if it had repercussions for the value of the franc, to achieve his goal of reducing unemployment.

But he stressed that his government would cut the deficit in time to be ready for a projected single European currency in 1998. Unemployment in France, at a near record of 12.2 percent, is among the highest in industrial nations.

Mr. Juppé, in a television interview, again left open the question how his government was going

to finance its ambitious program to create work, help housing and cut charges. He said a mini-budget would be presented in July, after France's municipal elections.

"Today, after having kick-started the engine of exports — which are holding up very well — the engine of investments — that are going better — it is now time to start the engine of consumption," he said.

He added, "I will not renounce my No. 1 preoccupation, on which I said in my political speech that I want to be judged — that's employment."

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EDITORIALS/OPINION

Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Gauging U.S. Aid to Russia

What if the United States now ended its foreign aid to Russia? Russia's brutal war in Chechnya is a heavy burden for anyone in Congress who wants to defend aid. The conflict between the United States and Russia over its misguided intention to sell nuclear reactors to Iran is another. Beyond that, the stories about super-rich Russian tourists splashing wads of \$100 bills on the French Riviera are hard to ignore. If America ended its foreign aid to Moscow, would that make any difference?

This year the United States will provide more than \$500 million to Russia. About \$200 million is Nunn-Lugar money, which helps to pay the cost of dismantling the nuclear weapons that used to be aimed at the United States. Those funds serve American interests directly. Another \$340 million goes into various kinds of technical and economic assistance, with varying degrees of usefulness.

Since the Soviet Union disintegrated, Western economic help to the Russians has been in general little and late. One perceptive watcher, the Swedish economist Anders Aslund, observes that the most important kind of foreign aid to the new Russia has been technical advice. It has played a big part in Russia's privatization of its economy. But the case for broad

economic aid has become less persuasive. The Russians are through the first shock of the transition to a market economy. There has been no collapse, and signs of recovery are increasingly clear. Perhaps there was a period, immediately after Russia became independent, when generous financial aid from the United States might have done a lot to draw it much more rapidly toward the West. But if that large opportunity ever existed, it has faded.

At this stage, there remains a case for three kinds of aid. The funds for nuclear arms control and disarmament are well spent. Next, American advice in building the institutions of a free economy in Russia—a central bank or stock markets—is proving valuable and ought to be continued. Much of this advice is coming through private channels, although some of it requires public money. Finally, educational exchanges and the education of young Russians at U.S. universities are effective and produce long-lived benefits to both countries for a small investment.

But these are all sharply limited kinds of foreign aid, none of which involves large amounts of money even by the present standards of stringent budgets. They are the kinds of aid that can be justified.

—THE WASHINGTON POST.

Let's Hear From Clinton

Except for his tactically inept proposal to balance the budget in 10 years, President Bill Clinton has played the budget game pretty cannily for a person who lacks the votes to impose his will on Congress. Debate driven by the warring ambitions of Bob Dole, Phil Gramm and Newt Gingrich has brought the brutality of the Republican plan into full view.

But voters will eventually demand more of their president than deft tactics or a clever re-election strategy. Mr. Clinton will have to present a principled reason why they should care if he wins re-election. He must answer then, definitively, whether he agrees with Gingrich et al that the budget must be balanced soon and, if so, at what pain.

Mr. Clinton's best plan might also be the most honest approach for a Democrat. He can assure voters that he believes deficit reduction is not the only fiscal policy that matters. Balancing the budget by pouncing working people or eviscerating public investment makes no sense.

The purpose of eliminating deficits is to cut federal borrowing that siphons money from corporate investment. But it accomplishes little to pump up private investment by knocking down public investment in infrastructure, training, education and research. Mr. Gingrich may see little outside the military and law enforcement that the government does well. But most Americans are not so doctrinaire.

America can have declining deficits, compassion for the poor and public investment. It would take sizable cuts in military hardware and corporate subsidies coupled with reform of the health care industry to achieve these goals. What has been missing is presidential leadership to show the public that the Gingrich/Grumm highway will not lead to the twin destinations of a fair, healthy economy and an effective government.

Mr. Clinton's budget raises Pentagon spending and shies away from reforming Medicare and Medicaid, the federal pro-

grams most responsible for escalating deficits. He protected corporate subsidies, even though his Labor secretary brought the wasteful giveaways to the nation's attention. Political survival forced Mr. Clinton to meet Republicans part way by proposing to cut taxes by about \$70 billion, money better spent on deficit reduction or education and training programs.

The Republicans, to their credit, delivered on their campaign promise to balance the budget in seven years. But their evasions are still stunning. They propose huge cuts in Medicare, but fail to propose specific reforms of the program or of the health care system to achieve the savings.

Without reform, the budget cuts would ruin health care for the elderly and saddle everyone else with steeply higher insurance premiums. With reform, the GOP would achieve savings, but much too slowly to balance the budget in seven years. Here's where Mr. Clinton's brief flirtation with a longer horizon makes sense. Done correctly, entitlement reform will rack up large savings, but the deficit impact might be years away.

The Republicans sought to purchase votes by promising huge tax cuts—\$350 billion in the House plan, implicitly \$170 billion in the Senate plan. They are designed to do little for investment and growth but a lot to trigger consumption that the economy does not need. To pay for these benighted tax cuts, the GOP would hack away at the country's science and technology infrastructure.

Mr. Clinton has identified these Republican missteps, but said nothing about how he would do better. Even with his limited political strength, he can tip the balance toward sanity and humanity. He can write a more honest budget that reflects what he believes the country truly needs. He still has the chance to enter the fray on the side of sensible deficit reduction and humane spending of whatever money Congress taxes and borrows.

—THE NEW YORK TIMES.

Science's Dwindling Funds

Cutting the funds for scientific research and technical development is difficult because they have no natural limits. More knowledge is almost always better. Cuts almost always risk future economic growth. As Congress works on next year's budget, it needs a sense of priorities to guide the diminished spending on research and development.

The United States currently invests about \$160 billion a year in R&D, a formidable effort. Slightly less than half of it is federal money, and most of the rest comes from industry. There are much smaller, although crucial, contributions from universities and foundations. But that total amount has not changed significantly since the mid-1980s, and in proportion to the size of the U.S. economy, it has been slowly declining. Now the decline is accelerating. It is not only the cuts in the federal budget. As the Wall Street Journal recently reported, industry also is reducing its support—and sharply. Over the past several years, premier corporations in the high-tech fields have diminished their R&D spending substantially.

How much should the country spend? What is needed is a general principle to measure adequacy. Experience suggests two. One is the competitiveness of the American economy in the world. Anxiety about U.S. competitiveness seems to have

gone out of fashion, perhaps a bit too soon. The new ability of American products to compete is partly owed to the fall of the dollar's exchange rate, an advantage that will prove only short-lived. To the extent that the new efficiency is owed to cost-cutting at the expense of companies' R&D, that may also turn out to be rather temporary. There seems to have been no similar slackening of R&D effort in the other advanced industrial countries.

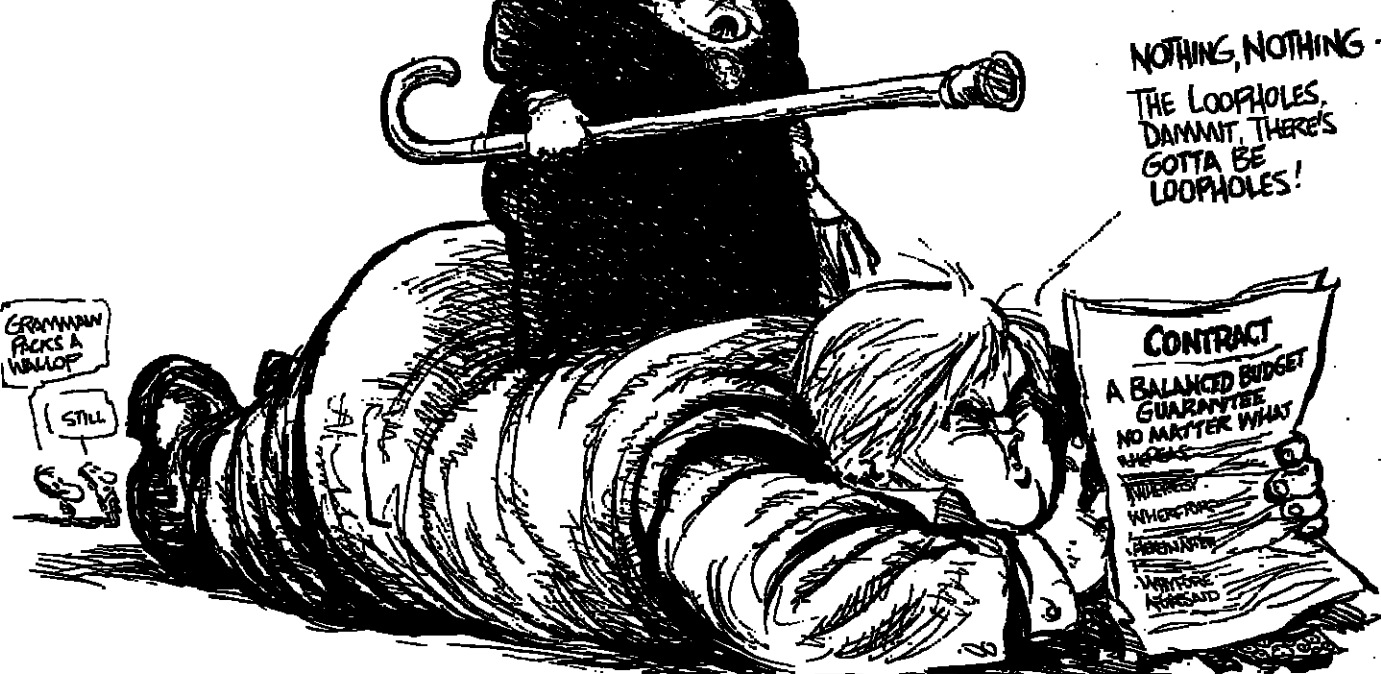
Another criterion of adequate funding is whether it draws enough young scientists into the essential fields. A study last year by the National Research Council pointed out that in 1985 young scientists—people under 37—submitted 3,040 applications for research grants to the National Institutes of Health, and one out of every three was successful. In 1993 young scientists submitted only 1,389 applications, and just over one out of every five was successful. Maintaining the continuity of talent and progress in the laboratories does not seem to be a consideration so far in the great struggle over the budget.

It is necessary to balance the federal budget, just as it is necessary to enforce corporate efficiency. But it also is necessary to accomplish those things in ways that do not jeopardize the country's future standard of living.

—THE WASHINGTON POST.

DIPLOMACY, FINANCIAL, POLITICAL, ECONOMIC

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At Last, an Opening for Budgetary Realism

By E. J. Dionne Jr.

WASHINGTON — When the House Republicans passed their big tax cut earlier this year, they were not at all interested in what President Bill Clinton or the Democrats had to say about it. They wanted the credit for doing what they said they would do in their "Contract With America." And they got it.

Now the time has come to pay both for the tax cut and for an even bigger promise, a balanced budget by 2002. Suddenly, the Republicans are whining that the president has refused to take the lead in cutting Medicare and Medicaid, which is what the GOP needs to do to make any sense of its budget promises.

Let's see: When it comes to passing around the goodies, the House Republicans are prepared to take full responsibility. When it comes to paying for the goodies, they want a Democratic president to take responsibility. And they act shocked when he refuses to play along.

It's a clever, if transparent, strategy. But the president and the Democrats would be fools to assume their assigned roles. So far, they have demonstrated unusual discipline in absorbing the Republicans' rhetorical fire and insisting that there can be no negotiations until the Republicans show the country exactly what they have in mind for Medicare and the rest of the federal budget.

If the Democrats hold firm and force the Republicans to produce, the coming months could be immensely useful — useful for the voters, useful for the political debate, useful for finally producing a long-term solution to the deficit problem. The voters may actually be given some real choices about what and how much government should be doing.

What has been missing from the political debate for 15 years is a clear sense of how a Republican Party would keep all the promises it has made about tax cuts and smaller govern-

ment. As long as Democrats controlled one or both houses of Congress, a large group of conservative Republicans could stand at the sidelines, clamor for more tax cuts, attack "big government" and vote no on every budget.

What will be on the table now is not "big government" as an abstraction but Medicare, one of the government's most popular programs, and a long list of smaller programs with intense constituencies behind them. The coming budget fight will make clear that the choice facing the country is not, as the speaker often argues, between giving money to "bureaucrats" and letting citizens put more money in their own pockets. The so-called bureaucrats take a very small percentage of government outlays. The big money goes either to national defense or directly to the people for the things the people support, such as medical care and Social Security. The choices are over how much we want to spend on such things and how to pay for them.

Already the reality of making choices has strengthened the hand of Republicans who are serious about government, as against those who just like to attack it. The Senate budget committee chairman, Pete Domenici, is one such serious Republican, and his own budget proposal will start by putting off consideration of the big tax cuts passed by the House. It is hard enough, he says, to get the budget balanced.

On the other hand, even Mr. Domenici wants to finessé a large chunk of the Medicare issue. He has called for a bipartisan congressional commission to decide on changes in the part of the program that pays for hospital stays. This is a sophisticated way of further postponing the Republicans' day of reckon-

ing while also forcing Democrats to accept terms of debate set by Republicans. If the only issue such a commission decides on is how to cut Medicare, then all the other choices that should be at stake in this budget fight are relegated to a secondary position.

The Democrats will not give up the Medicare issue that easily. Of course they have their own purely partisan reasons for using it as a club against the Republicans. But the Democrats also have substantive grounds for arguing that (1) it is unfair and impractical to consider Medicare cuts apart from the broader problems in the health system, and (2) there is no point in even negotiating on Medicare if House Republicans insist that big tax cuts are a non-negotiable part of the deal.

Senator Bob Kerrey, a Nebraska Democrat who actually supports Medicare cuts, has said that bipartisan negotiations would be possible if the Republicans moved on those issues. The White House chief of staff, Leon Panetta, has sent similar signals. If the Republicans reject those terms, they will have to explain why. And therein will lie the beginning of the first truly honest budget debate the country has had in a long time.

When it comes to balancing the budget, Mr. Kerrey said, the choice is clear enough: "We either ask Americans to pay more, or we give them less, or some combination of the two." That obvious point was ignored in election after election because so many politicians kept insisting that government could be cut magically or that revenues could be increased miraculously by cutting taxes. Now the Republican budget makers will demonstrate conclusively that while Medicare exists, magical budget cuts and miraculous revenues do not. That in itself is a large step toward sanity.

The Washington Post.

A Final Irish Settlement Would Be Major's Saving Grace

By William Pfaff

PARIS — "John Major in Difficulties" is a headline British editors leave uncorrected in their computer banks, it is so regularly needed. Yet Mr. Major also has a grip today on what could prove an accomplishment better than anything Margaret Thatcher ever did. He is closer to an Irish settlement than any British prime minister in modern history.

Mr. Major's latest difficulties are due to his denunciation by Lady Thatcher in the latest volume of her memoirs. She says that he, her chosen successor, has turned apostate, abandoning the Thatcherite faith. The criticism was predictable, the trouble minor.

Seriously difficult are the troubles that have come from his recent but imprudent appointment of a committee, under an eminent lawyer, Lord Nolan, to investigate parliamentary morals. Lord Nolan's report called for members of Parliament to publish their private sources of income, which in many cases comes from "consultancies" to business firms.

This investigation was inspired by two cases where members of Parliament agreed to ask ques-

tions in Parliament (serving particular business interests) for money, and not a great deal of money at that. In addition there have been a series of sex scandals among Conservative MPs.

Mr. Major welcomed the Nolan committee recommendation and was immediately confronted with a rebellion by rank-and-file Conservative members of Parliament who do not want their business interests made public, and who say that any abuse of parliamentary rules should be handled within the House of Commons.

The prime minister has reaffirmed his position, and so the matter stands. However, Mr. Major also had imprudently made the Nolan committee an ongoing affair, and it now wants to investigate where the money, and not even Mr. Major wants that.

Earlier, at the beginning of May, Mr. Major was in trouble because the Conservative Party had plunged to still another electoral defeat, this time in local elections. It did no better than

third — running far behind not only the reviving Labor Party but the Liberal Social Democrats.

John Major's misfortunes are mitigated, though, by the consideration that at the moment no sensible person would want to take his place as Conservative leader. The party is so divided, especially over relations to Europe, and so corroded by the wear of 16 years of uninterrupted power, that only a very rash man would think he could do better than Mr. Major has done in holding a Conservative government together.

When the next general election — which must take place no later than 1997 — is nearer, there probably will be declared rivals. Yet intelligent Tories know that a period in opposition would be good for their party.

The positive claim that must be made on Mr. Major's behalf comes from his courage in 1993 in negotiating a settlement with the Irish government, what became known as the Downing Street declaration, stating that the future status of Northern Ireland would be

decided by the people who live there. This led to direct negotiations between the two governments and the political wing of the Irish Republican Army, the Sinn Féin party, and this past week has produced direct talks between the IRA and a cabinet-level official of the British government.

The meeting took place in Washington. Not only the British government, the IRA, and Sinn Féin were represented, but the main Unionist paramilitary organizations, the two big Unionist political parties, and the mainly Catholic and nationalist Social Democrats, opposed to violence. This was the first time for all to be part of the same political forum.

John Major's ambition finally to answer the "Irish Question" is still far from its accomplishment. But he has made a solid beginning and the political arguments are reasonably good. Terror now is counterproductive for the IRA. People both in the North and in Eire want a settlement. The southern Irish government has promised to deal with its constitution's claims to sovereignty over the entire island, which so frightens the northern Protestant Unionists. London and Dublin have agreed that the people of Northern Ireland will have the last say on what occurs there.

If this effort succeeds, and the ancient war between British colonialism and Irish nationalism comes to an end, John Major will have made history on a big scale, presiding over the end to nearly 800 years of destructive struggle between England and Ireland. *International Herald Tribune.* © Los Angeles Times Syndicate.

A Day to Think About Gary Gordon

By Douglas E. Kneeland

LINCOLN, Maine — For much of the United States, it seems, Memorial Day has come to mean the unofficial start of summer, a holiday to spend at the beach or in the yard. Today I'm thinking about someone in particular: Gary Gordon, a young man who left this town, his hometown — and mine — to join the army in 1978, when he was 18 years old.

Lincoln is a pulp-and-paper mill town of 5,500 tucked among the fir forests and spring-fed lakes of northern Penobscot County. Gary attended the local high school and was a running back on the football team. He liked to draw and doodle and sometimes his teachers thought he did too much of it in class. His mother, Betty, says his favorite subjects for drawing were military: guns and tanks and things. That could have been a hint of his later career path, but in the years of the Vietnam War a lot of young boys were attracted to the military.

Still, Gary's interest may have surpassed that of the others. He liked to read and regularly rode his bike to the library to borrow books.

A while back a friend of Gary's was seeking some information on the Medal of Honor at the library and found what he was looking for in an Army Information Digest pamphlet published in 1962. Checking the card in the back, he discovered that the last person to take out the publication was Gary Gordon, on Oct. 1, 1971. On Oct. 3, 1993, 22 years and two days after he borrowed that pamphlet, Master Sergeant Gary Gordon of the army's elite Delta Force died along with 17 other Americans in a battle in Mogadishu, Somalia. Seventy-five soldiers were wounded. He and his partner, Sergeant First Class Randy Shughart, were lowered down from a helicopter in the midst of the

battle and killed as they sought to rescue wounded members of the crew of another helicopter.

In a ceremony at the White House on May 23 last year, President Bill Clinton awarded Medals of Honor posthumously to Gary and Randy "for conspicuous gallantry and intrepidity at the risk of life above and beyond the call of duty." The medals were given to their widows, Carmen Gordon and Stephanie Shughart. Gary's children, Ian and Brittany, were there, as were his parents, Duane and Betty Gordon. These are the only Medals of Honor that have been awarded for acts of valor committed in the years since the Vietnam War.

In Duane and Betty Gordon's living room, there's a small display of a flag that flew over the army compound in Mogadishu, one of Gary's green berets and other mementos. A drawing he did a few months before he was sent to Somalia has a prominent place on the wall. It shows him in battle with a helicopter hovering in the background lowering reinforcement troops on ropes.

On Oct. 14, 1993, Gary Gordon was brought home to Lincoln. "I was overwhelmed when I came into town that night and saw the crowd downtown in the rain and the cold," Betty said. Her eyes moist, she added, "You raise a child and then suddenly you're sitting in a car alone."

She said some people ask why Gary wasn't buried at Arlington National Cemetery. She tells them: "He didn't want to be. He wanted to be brought home here." So he came home to lie in the cemetery on West Broadway, not far from the center of town and the library where he borrowed books on battles and the Medal of Honor.

Mr. Kneeland was a reporter and editor at The New York Times for 22 years. This was adapted from his column in The Lincoln News.

Silly Plans To Silence a Policymaker

By Anthony Lewis

BOSTON — The Articles of Confederation, which joined the American states together in 1781, assigned the running of foreign affairs to Congress. The idea was such a failure that in 1787 the framers of the constitution made the president the principal voice of the United States abroad.

Now the Republicans who control Congress are trying to move us back toward the Articles of Confederation. That is the thrust of a bill on which the House has begun work, the American Overseas Interests Act, and of the equivalent Senate bill.

The legislation would give decisions to President Bill Clinton on a long list of matters. They range from tiny questions of detail to major policy issues.

One section, for example, directs the president to recognize Tibet as a "sovereign country" and send an ambassador to the Dalai Lama's "government" in exile. Many of us condemn the Chinese occupation and cruel mistreatment of Tibet. But to recognize it as an independent country would be a break with history, a step with grave destabilizing consequences for relations with China.

Another provision would limit aid to countries that engage in intelligence activities in the United States. Most diplomatic missions in Washington must have intelligence officers on their staffs. Who can tell what the effect of this murky language would be? The House bill is full of efforts at micromanagement.

Legislative intervention in foreign policy is a distinctly American phenomenon. In its modern form I believe it can be traced to the Vietnam War. Abuse of executive power there led to assertions of corrective Congressional power.

President Lyndon Johnson said he would not use the Gulf of Tonkin Resolution as general authority to make war in Indochina, and then he did. As he and President Richard Nixon spent more and more lives, Congress eventually put restrictions on bombing and other war activities.

The lesson of this need to respect the undoubted authority of Congress over the making of war was not learned. In the Gulf crisis, President George Bush made the outlandish claim that he did not need congressional authorization to wage a massive war.

Human rights concerns also sparked congressional action. Mr. Nixon and Henry Kissinger were so friendly to such dictators as General Augusto Pinochet in Chile that Congress began imposing human rights conditions on aid.

But today's legislation carries the pattern to an extreme. Even scholars who have warned against abuse of presidential power agree the president has plenary power in some areas of foreign policy, notably in diplomacy and recognition.

Partisanship is undoubtedly behind the extremism of the moment. The newly empowered Republicans in Congress see a chance to write every old item on their wish list into law.

Secretary of State Warren Christopher was moved to speak out, calling for a veto that the president then threatened, not only because he is in this administration but because he is a lawyer concerned about the constitutional separation of powers.

"Congress does have a role in foreign policy," Mr. Christopher said in an interview. "But it is unwarrantable and unconstitutional to dictate where we put our diplomatic missions or with whom the president can negotiate. Other countries are entitled to rely on the voice of the president."

Lawrence Eagleburger, the last secretary of state in a Republican administration, put it more bluntly. "The House has gone crazy," he told National Public Radio. "The restrictions and demands on the president are an absolute attack on the separation of powers."

House Republicans leaders suspended debate on the bill this past week, so perhaps they have been moved by the reaction against its excesses. Even partisans may stop short of making the United States look silly to the world.

The New York Times.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1895: New War Vessel

LONDON — The *Evening Standard* reports that Messrs. J. and G. Thomson launched from their Clydebank yard yesterday [May 28] the first-class cruiser *Terrific* for Her Majesty's Government. The length of this great war vessel is over 538 ft., depth to the upper deck 43 ft. The displacement is 14,250 tons. The total of men and officers will number 900. The 25,000 horse-power engines will develop a speed of 22 knots an hour. The cruiser *Terrific* far exceeds, in size and power, any vessel of her class in the British navy.

1920: For the Children

WASHINGTON — Bars over the windows of the President's bedchamber caused the circulation of a wild story by a newly arrived newspaperman in the national capital, who conjured up

scenes of violence and midnight ravings, which have set the White House into a gale of laughter. As a matter of fact the bars have been over the windows for a quarter of a century, and according to an old attaché were placed there to guard against children in the executive mansion falling out.

1945: Clashes in Syria

DAMASCUS — French troops fired on the people of Hama, 150 miles north of Damascus, and the populace then attacked the French garrison, Jamil Mardam Bey, acting Premier of Syria, announced in a statement today [May 28]. It is believed here that if the flare-up at Hama grows, violence will spread throughout Syria and to Lebanon. The French descended on Hama because it is a particular center of "patriotic" fervor. The hardest struggle, however, is likely to occur in Damascus.



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INTERNATIONAL

U.S. Looks on as Europe Ponders Next Move in Bosnia

By Steven Greenhouse
New York Times Service

WASHINGTON — The Clinton administration, which has been the loudest and most persistent voice in favor of air strikes against the Bosnian Serbs, has found itself sitting on the sidelines as the European allies and the United Nations pondered hard choices about how to deal with Serbian retaliation.

NEWS ANALYSIS

Ever since Yugoslavia first began splitting apart during the Bush administration, the bottom line of American policy has been to minimize the risk for the United States. With peacekeeping troops from Britain, Canada, France and others on the ground and in the line of fire, those nations have the final say on any military action that could further endanger them.

The Europeans are torn as well between choices that all seem to be bad. The new president of France, Jacques Chirac, took the lead for the alliance by sending a flurry of ambiguous signals, among them calling on the Serbs not to increase the violence, while authorizing French commanders to shoot back and call in NATO air strikes.

Canada, concerned about the fate of its soldiers taken hostage, reaffirmed the support it had only reluctantly given to the air strikes. The U.S. defense secretary, William J. Perry, flew to London to consult with British officials after discussions in Italy with NATO. Secretary of State Warren M. Christopher consulted with NATO's secretary-general, Willy Claes, and diplomats here and in Europe considered their options.

But the U.S. role at the moment seems limited to some quiet urging of resolve and a low public profile. Having pushed for a course of action that has put peacekeepers at risk, there is no desire to be seen forcing its allies into any course of action that could cause more deaths.



Residents of Tuzla, who were paying respects to those killed in Thursday's shelling, scramble for cover as Bosnian Serbian artillery opens up again.

President Bill Clinton made no mention of the conflict Saturday in his weekly radio address, and senior administration officials mostly stressed the extent to which decisions on the topic were out of their hands.

While the current crisis is certainly more painful to countries that see the television broadcasts of their soldiers under fire or in chains, it is proving em-

barrassing and a bit humbling to the administration. There had always been a contradiction between the overall goal of minimizing risks and other American goals in Bosnia, most notably the preservation of the relative calm around Sarajevo and the preservation of some of NATO's credibility after the United Nations had squandered it.

Watching the retaliation after having pushed for the air attacks, American officials found comfort mostly in reviewing just how bad the alternatives to their recommendations had been. "We still think the air strikes

were the right thing," a senior administration official said. "Yes, the situation has deteriorated with the air strikes. But the situation was going to continue deteriorating if there were no air strikes."

The choices now boil down to offering concessions to the Serbs in return for the release of the hostages or far stronger bombing, an option advanced but only quietly, by some American officials. Some officials support sending in emergency NATO troops to free the hostages, take on the Bosnian Serbs and teach them a lesson. That runs the danger of making NATO a clear party in

the conflict. In addition, some European countries are arguing more than ever that the United States should contribute troops to such an effort, but Clinton administration officials insist that that option is not under consideration.

Whatever happens in the next few days, the United States and its allies face the intractable question of the future of the UN soldiers in Bosnia. The United States, Britain and France have suggested in recent days that their mission should be expanded so they could more forcefully defend themselves and stop Bosnia's

Serbs or Muslims from flouting UN rules. The administration has a strong interest in convincing its European allies to keep their contingents in place: If they, or the United Nations, decide to pull the troops out, the United States has pledged to send in thousands of American troops as part of a huge NATO force that would help cover such an evacuation.

But even on this most politically volatile of questions, some American officials acknowledge, it will be the British and French who call the shots on the future of the peacekeepers.

AMERICAN TOPICS

Communion Cup Holds Health Risks

Dipping a wafer into the Communion cup does not abolish the risk of infection to the communicant, but it is safer than sipping wine from a common cup, according to a study reported by Lawrence K. Altman, medical correspondent of The New York Times.

Anne LaGrange Loving, a professor of microbiology at Felician College in Lodi, New Jersey, undertook the study. The potential hazards from sipping communal wine have been the subject of religious debate and scientific investigation for more than a century.

Most wine used for Communion is fortified with a higher alcohol content than table wine to kill microbes, and ministers use other measures, too, to reduce the risk, Dr. Loving said.

She had 45 volunteers dip wafers into wine. They purposely did not wash their hands first, since communicants have no opportunity to do so. Fingertips, wine and wafers were then tested for bacterial growth. All wafers cultures grew bacteria, but the wine did not. The greatest risk was sipping from a common cup, followed by dipping the wafer by the minister and then dipping by the parishioner.

Although scientific and religious articles have described dipping the wafer into the wine as "completely safe," such statements were based on assumption, not on laboratory tests, Dr. Loving said in reporting her findings to the American Society for Microbiology.

Short Takes

Steven Spielberg, producer of "Schindler's List," is compiling a visual history archive to preserve the stories of Holocaust survivors. Two-hour interviews with survivors are being recorded. Once filmed, the tapes are shipped to Los Angeles, where they are bar-coded, catalogued and logged into a database. Mr. Spielberg calls the project "the most meaningful thing I've ever done."

Mike Tyson, the former heavyweight boxing champion, attended the graduation Saturday of his fiancée, Monica Turner, 29, from the Georgetown University School of Medicine. The ceremony was closed to the media to avoid what the school said had been "disruptive and disrespectful" press behavior at the 1991 graduation of William Kennedy Smith, a medical student facing sexual battery charges in Florida of which he was later acquitted. The independent Georgetown student newspaper supported the press ban, saying "friends and family of the graduates were pushed out of the way by media attempting to get a glimpse of Smith."

Three hours into deliberations, a juror at Wilma Baxter's shoplifting trial in San Francisco noticed something suspicious in a crucial prosecution evidence photo supposedly taken Nov. 22. The photo showed a newspaper covering six bottles of liquor allegedly stolen Nov. 29. The newspaper was published this month, May 10, advertising strawberries at a seasonal 69 cents a pound and displaying a Mother's Day advertisement. Prosecutors immediately dropped the case and said they were investigating where the photo came from.

International Herald Tribune.

EUROPE: Saving Face

Continued from Page 1

it is not turning out that way," a Muslim diplomat said Sunday. Since no oil is at stake in Bosnia, he said, Western governments seem resigned to treating the Serbs as the regional power.

A U.S. official agreed that Western governments seem likely to abandon the idea, long defended at NATO, that air strikes should be intensified to intimidate the Bosnian Serbs. In future, he said, NATO's role seems likely to be reduced to close air support to protect beleaguered UN forces.

That will be part of the price for a Russian success, which American officials said confidently Sunday was within Moscow's power, in obtaining the release of the UN soldiers held hostage.

Meanwhile, France's demand for a redefinition of the peacekeeping mission, which the new government under President Jacques Chirac is presenting as its main break with previous policy, will carry overwhelming political weight.

The 3,000 French troops in Bosnia comprise the largest national contingent in the 23,000-man peacekeeping force. The Clinton administration, in particular, wants them to stay because it hopes to avoid a NATO mission to extract them, for which Washington has promised support, including ground troops.

Politically, the effect of falling back to a perimeter around Sarajevo would dash prospects of anything more than a symbolic state for Bosnia's Muslim-led government. That outcome has long been quietly viewed by the French and British authorities as the natural and inevitable result of Serbian predominance.

European reactions focus as much on UN ineptitude as on Serbian actions.

BOSNIA: Crisis Deepens as More Hostages Are Taken

Continued from Page 1

when Serbs, disguised as blue-helmeted peacekeepers, took control of the post.

One French soldier was killed in an attempt to recapture it, and the United Nations said that four Bosnian Serbs were also killed. The Serbs abandoned the emplacement Sunday, but kept 10 captured French soldiers.

General Mladic demanded an apology for the death of the Serbian soldiers, which of course General Smith was not prepared to give," the official said. "General Mladic seemed unable to grasp that the Serbs initiated the battle."

The Serbs have not complied with any of the conditions set in a UN ultimatum before the air strikes began. Rather than hand

over heavy weapons banned from the Sarajevo area, they have taken 200 more big guns and mortars from so-called UN weapons-collection points since the first NATO air strike.

The Serbs have cut off electricity, gas and water to Sarajevo since the NATO bombing last Thursday, and tightened their noose around the city. The one government-held road into town — a small mountain track — is being regularly fired at with heavy machine guns and mortars.

The worst single shelling incident of the war, in which 71 people were killed in the northeastern town of Tuzla last Thursday night, was followed Sunday by more Serbian shelling of the town. One person was killed and two wounded on a day when many mourners were

in the streets attending funerals of those killed last week.

Mr. Ljubijankic, the Bosnian foreign minister, became the second member of the government killed since the war began in 1992. In January 1993, Marjica Turajlic, the deputy prime minister, was killed while supposedly under the protection of French peacekeepers near the Sarajevo airport.

Clandestine, nocturnal helicopter flights between the Muslim enclave of Bihać and Zagreb have been going on for many months. They are widely used to resupply the isolated enclave with weapons. Technically, the flights are in breach of the NATO-enforced no-fly zone over Bosnia, but NATO has tended to turn a blind eye to them.

MEN: Making the Saving of Souls a Masculine Pursuit

Continued from Page 1

flanking the stage. "Your buddies brought you, and suddenly you make your decision to say, 'Jesus be my God.'"

"Think of the change in your life," he said. "Your wife is going to notice. Your kids are going to notice."

They stood and sang the words: "I'm not a creature of brute chance or lies. 'Now as his man, I'm destined for the skies.'"

They had learned the hymns from the cassette tapes mailed to them in advance with their conference registration packets. The tunes were an intentionally multiracial mix of gospel, traditional and salsa, and most men sang heartily, some in T-shirts reading, "A real man sings REAL LOUD."

"A real man, a man's man, is a godly man," said Mr. McCartney, the founder of Promise Keepers, at a news conference. "A real man is a man of substance, a man that's vulnerable, a man who loves his

wife, a man that has a passion for God and is willing to lay down his life for him."

The Promise Keepers staff and budget have roughly doubled every six months for the last four years, peaking now at 150 people on a \$22 million budget.

The group's operators take orders for New Man magazine, books on living godly lives, cassettes and CDs and Promise Keepers golf shirts and baseball caps.

Some 65,000 men have filled out commitment cards vowing to keep the "Seven Promises of a Promise Keeper": honor Jesus Christ; have close male friends; practice spiritual, moral and sexual purity; be faithful to wife and children; support the church; defy racial and denominational barriers, and go out and encourage the world to do the same.

The genius of Promise Keepers is "the disciplined lifestyle they set before these men as a challenge," said Robert M. Franklin, director of black church studies at Emory University's Candler School of Theology.

"Men like tests, they like competition, so there's this dynamic at work," he added. "They make demands on these men, and they provide significant psychological rewards."

Some women's groups criticize Promise Keepers, but not for holding men-only events.

The problem is the message "that men must take back control of the family, be the head, the boss," said Rosemary

Dempsey, national action vice president of the National Organization for Women, in an interview last week. "It's a not-very-well-cloaked misogynistic message."

Critics cite a passage from the book "Seven Promises of a Promise Keeper" by Tony Evans, directed to men who have abandoned or ignored their families.

"I'm not suggesting that you ask for your role back; I'm urging that you take it back," Mr. Evans wrote. "Treat the lady gently and lovingly. But lead."

'Underground' Takes Cannes' Golden Palm

Compiled by Our Staff From Dispatches

CANNES — "Underground," a film by the Sarajevo-born director Emir Kusturica on the breakup of Yugoslavia, won the Golden Palm award at the 48th annual Cannes Film Festival on Sunday.

The best-actor prize went to Jonathan Pryce for his role as the eccentric gay writer in the British film "Carrington," while the British performer Helen Mirren was named best actress for "The Madness of King George."

Currently seeking French nationality, Mr. Kusturica refuses to be described as a Bosnian. "I was born a Yugoslav and I am going to die a Yugoslav," he said. He was voted best director at Cannes for his 1989 film "Time of the Gypsies." Among other winners at the 12-day festival, the French film "N'oublie Pas que Tu Vas Mourir" ("Don't forget you're going to die") by the director Xavier Beauvois won the Jury Prize. The Special Jury Prize went to "Carrington" by the British director Christopher Hampton.

The award for best screenplay went to Mathieu Kassovitz of France, who wrote and directed "La Haine" ("Hatred"). The Golden Camera award, for the best new director, went to Jafar Panahi of Iran for his film "The White Balloon." The Chinese director Zhang Yimou took the technical prize for "Shanghai Triad."

The 10-member jury was headed by the French actress Jeanne Moreau.

Isadore Freleng Dies, Created Film Cartoons

Los Angeles Times Service

LOS ANGELES — Isadore (Fritz) Freleng, 89, who helped give life to a menagerie of such madcap cartoon characters as Bugs Bunny, Daffy Duck, Sylvester and Tweety Bird, and who also became the personification of Yosemite Sam, died Friday. He was 89 years old.

With Chuck Jones, Bob Clampett and Tex Avery, Mr. Freleng was a prime force in the history of the film cartoon, operating out of offices that the artists dubbed "Termite Terrace."

Mr. Jones said each of the four had had a special character. "Fritz was Yosemite Sam," he said. "We would tease Fritz that if he ever exploded, the result would be similar to what Sam did when he was angry."

At his death, Mr. Freleng had earned four Academy Awards plus a special Oscar for the

"The Pink Panther," a cartoon featuring the Pink Panther character that he had created. Mr. Freleng began drawing for a living in his native Kansas City, Missouri, moving to Hollywood in 1927.

He worked for Walt Disney for two years before founding the Warner Brothers animation studio as head animator in 1930 along with Rudolf Ising and Hugh Harman.

Mr. Freleng animated the first Looney Tunes cartoon, "Sinkin' in the Bathtub," in 1930, and moved from animator to director in 1933.

In that position he synchronized music and film in the Merrie Melodies series.

Edgar Scott, 86, a prominent investment banker who was husband of the socialist Hope Montgomery Scott, died of pneumonia on Friday in Radnor, Pennsylvania. (AP)

QUAKE: Russian Island Hit

Continued from Page 1

to buildings in Okha, but Neftegorsk was far more heavily damaged.

Reports said more than 200 rescue workers from various points in Russia's Far East had arrived in Neftegorsk along with six helicopters and more than 10 airplanes. More search teams were said to be headed toward the town, although heavy fog and freezing nighttime temperatures were said to be hindering the search for survivors.

Interfax reported that a discotheque full of young people in a two-story building was destroyed in the quake. The local police station was also reported to have been leveled by the tremor but the local hospital was said to have survived. Telephones and other means of communications with the town were cut.

The earthquake was the third big tremor in the region since last fall.

More than 5,000 people were killed in Japan's port city of Kobe in January, and a separate quake struck a thinly populated part of the Kuril Islands off the northern tip of Japan in October, killing at least 11 people. In January, Russian officials had predicted a big quake would strike the region this year.

Sakhalin, just north of the Japanese island of Hokkaido, was the scene of one of the Cold War's tensest moments in 1983, when Soviet leaders ordered a fighter jet to shoot down a Korean Air Flight 007 when it strayed over the island. All 269 people aboard, including 61 Americans, were killed. The jet fell into the sea off the southwestern coast of the island, several hundred miles south of the earthquake zone.

Soviet and U.S. officials traded accusations over the incident for months, with Moscow insisting the plane was on a spying mission.

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KANTOR: U.S. Wants New Talks After G-7 Meeting

Continued from Page 1

trade officials in Geneva, preferably under the auspices of the World Trade Organization, which functions as an international trade court, and have expressed a preference to meet as early as this week.

But the United States is not in as much of a hurry and would rather meet in Washington than in Switzerland or Japan.

U.S. officials think that the nearer the June 28 deadline, the better are the United States' chances of getting Japan to open its auto market to more American cars, trucks and auto parts. At least, that is how some U.S. automakers see it.

"I hope there is a settlement," said a U.S. auto executive, who insisted that neither he nor his company be identified. "But the ball is in Japan's court. They can open their market, or take the tariffs."

The cost of the tariffs could run as high as \$5.9 billion. That

would be an onerous burden on Japanese automakers, whose U.S. luxury divisions — Toyota's Lexus, Nissan's Infiniti and Honda's Acura — have been struggling to become profitable in an increasingly competitive market.

Representatives of the Association of International Automobile Manufacturers and the American International Automobile Dealers Association have even suggested that 100-percent tariffs could put U.S. dealers of Japanese luxury autos out of business.

Yet, in the face of that threat, Toyota Motor Corp. and Nissan Motor Co. said Friday that they would continue to ship their luxury cars to the United States, even though the proposed tariffs would be retroactive to cars that arrived in the States after May 20. The companies also have said that if the tariff were imposed retroactive-

ly, they would absorb the cost of those levies.

"We've decided to go with business as usual," said a U.S.-based Lexus spokesman, Wade Hoyt. "We're crossing our fingers, hoping that this thing works out."

Mr. Hoyt said he was aware that his parent company was taking a financial gamble by continuing to ship cars. But not shipping cars would guarantee that Lexus dealers would have nothing to sell, and dealers with nothing to sell go out of business, Mr. Hoyt said.

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Russia Set to Join Talks on Creating Heir to COCOM

Agence France-Press

TOKYO — Twenty-four countries, including Russia, will begin talks in late August or early September on setting up a mechanism to regulate exports of conventional weapons and related goods, a report in the Yomiuri newspaper said Sunday.

The mechanism is to succeed the Coordinating Committee for Multilateral Export Controls, or COCOM, a Western group that worked to restrict strategic exports to the communist bloc during the Cold War. COCOM was disbanded in March 1994.

The formation of a new group has been delayed by a Washington-Moscow feud over Russian arms sales to Iran.

DEATH NOTICE

Patrice BACHELARD

Chevalier des Arts et des Lettres died in Paris on May 10, 1995 at the age of 43.

A mass will be celebrated in his memory on May 30, 1995, at 6:30 p.m. at the Eglise Saint-Roch, 206, rue Saint-Honore Paris 75001.

He is survived by his parents, Mr. et Mrs. Jean-Claude Bachelard and his sister Isabelle Bachelard, 550, chemin des Groux 78670 Villennes-sur-Seine

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	13.4	+ .16	Shu

1.53	+ .12	Coat n	1.53
1.47	+ .43	Coat n	1.47
1.48	+ .10	Coat n	1.48
1.57	+ .27	Coat n	1.57
1.45	+ .37	Coat n	1.45
1.18	+ .31	Coat n	1.18
1.01	+ .04	Coat n	1.01

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GB	11.45	TRIM	9.30	+
Series:		LowDur	9.93	+
n	32.51	LDL	9.67	+
ty	14.07	ShortT	9.90	+
n	29.99	TRIM	9.82	+
n	29.34	TRIM	10.91	+

ST Gov'n	12.22	+ .03
Valuen	12.22	+ .17
Price Funds:		
Balance	12.27	+ .12
Back	12.27	+ .12
Call'n	10.24	+ .06

GNM D	9.0	+ .04	TNMY
GATF n	10.16	+ .06	Rechnen
GibGy	18.17	+ .32	Conting
Growth n	20.79	+ .23	ErmG
Givien n	17.21	+ .13	Vollf
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9.92	+ .86
12.78	- .00
17.75	+ + +
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22.75	- .01

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9.29	+22
4.18	-31
10.32	+43
6.36	+30
11.15	+70
10.40	+06

12.42	+1.16
11.23	+0.49
8.97	+1.15
14.23	+0.86
9.58	+1.39
13.14	+1.13

12

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CYBERSCAPE

Mastering the Millennium: The Curse of 2000's Zeros

NEW YORK — As 2000 gets closer by the day, more computer engineers are trying to fix what looks like a simple problem but could turn into a back-to-the-future nightmare. Many computer programs calculate years from the last two digits, such as "95" for 1995. But when 2000 arrives, the year will be represented by "00," and the huge number of programs that make calculations based on higher year values, such as 95 minus 45 equals 50, will produce wrong answers.

For example, a computer in 2000 might think a person born in 1970 is 70 years old if its program automatically used the bigger number to begin a calculation, such as 70 minus 00 equals 70. If a pension fund company's computer program did that, a 30-year-old could start getting retirement benefits.

How about a January 2000 monthly mortgage check written on Dec. 31, 1999? It might get bounced because a bank computer thinks the check is 99 years old and therefore no good.

Some product executives have been warning about the date dilemma for years. But lately, big computer companies also have brought more attention to it, raising awareness among clients that a possible crisis looms.

The trouble is that just fixing a computer program is not enough. All the data accompanying the program, which sometimes means millions of records or transactions, must be changed as well.

In addition, if a company shares data with someone else, such as an oil driller reporting production to a state agency, both must ensure that any changes are compatible with each other's computers.

"In the grand scheme of things that need work, I think this is on the large side," said Ron Rudman, an engineer in the technology architecture division of Electronic Data Services Corp., the largest U.S. computer-services company.

Gartner Group, a technology research firm in Stamford, Conn., estimates that large businesses will spend \$100 billion in the next five years — now more like four and a half years — trying to correct their programs. Government agencies may need to spend a similar amount, although Gartner has not done a precise study for them.

In a survey for the computer-services company Cap Gemini America Inc., only a third of the 201 large and medium-sized companies surveyed had assessed the "2000 problem."

"We think it's going to hit the fan in 1997, at which time we think there will be unlimited demand for limited resources," said Bill Goodwin, editor of "Tick Tick Tick," an industry newsletter devoted to the issue.

Internet address: CyberScope@lib.demon.co.uk

U.S. Fed Still Wary On Prices

By John M. Berry
Washington Post Service

WASHINGTON — Even with economic growth clearly slowing, Federal Reserve documents suggest that policymakers may be reluctant to cut short-term interest rates, as some analysts are suggesting, until it is clear that the risk that inflation could move noticeably higher has faded.

Two months ago, when evidence of slower growth was just beginning to emerge, Fed officials were concerned that the economy was operating in dangerous inflationary territory, according to minutes of the March 28 policy-making session released Friday.

As a result, the Fed's top policy group, the Federal Open Market Committee, voted unanimously to give Chairman Alan Greenspan more room to raise short-term interest rates between then and the committee's next meeting, which was held Tuesday. At that session, however, rates were again left unchanged, and no announcement was made about whether the committee was leaning one way or the other on possible future changes.

With mounting evidence that growth has slowed, including reports last week of falling orders for manufactured goods and rising claims for jobless benefits, a number of economists and financial analysts said the economy was in danger of slipping into a recession if the Fed did not lower short-term rates.

At the end of March, however, most of the committee members still felt that "the economy retained considerable forward momentum," the minutes said.

Germany's Power War Protests Ignite Debate on Nuclear Energy

By Brandon Mitchell
International Herald Tribune

MUNICH — To Otto Majewski, a utility company executive, the weeklong violent protests that marked the transportation of nuclear waste to a storage site in northern Germany this month were the first skirmish in a growing struggle over the shape of the country's industrial future.

The so-called Castor shipment, one of about 70 such consignments that occur in Germany every year, this time required the deployment of 10,000 policemen and cost 55 million Deutsche marks (\$40.1 million) in additional security. Some protesters sabotaged rail lines, intending to halt the transport.

The fact that the shipment coincided with a Berlin conference on environmental issues, elections in the state where the waste was to be stored and talks on Germany's energy requirements for the next several decades surely contributed to the controversy.

But the vehemence of the protest, according to Mr. Majewski, who is chairman of Bayernwerk AG, Germany's third-largest utility — was mostly a reflection of politicians' weakness and irrational fears regarding high technology, two factors that he contended could doom Germany to economic stagnation.

"The unprecedented perversion of rational debate about a new technology into a vote on the survival of our society has created a climate in which it is impossible to hold an intelligent conversation or make strategic decisions," he said.

While the immediate victims of the uproar are German companies that do business with high technology, the nuclear-power brouhaha is ultimately about Germans' unwillingness to stake their wealth on anything that carries a hint of risk, Mr. Majewski argues.

"We can't allow ourselves to be enslaved by our fears," he said.

Although nuclear power currently supplies 35 percent of Germany's energy needs, and the country's power plants are considered among the world's safest, the environmentalist Greens Party has demanded an immediate conversion to renewable energy resources, and the opposition Social Democratic Party wants a moratorium on new nuclear-power-

plant construction and an orderly shutdown of existing plants.

Mr. Majewski said that even an orderly retreat would not only cost Germany 240 billion DM but make it impossible for the country's energy-intensive manufacturing industry to remain competitive.

Even under the most optimistic of scenarios, solar, wind and hydroelectric power, along with the incineration of biological waste, could not generate more than 5 to 7 percent of the country's energy needs in the next 15 years, he said.

Despite improvements in the efficiency of solar cells and other solar power technology, their primary markets will not be Germany, but sunnier places in the Third World, he added.

In addition to being one of Germany's largest nuclear-power generators, Bayernwerk is the country's biggest generator of hydroelectric power and has a 49 percent stake in Siemens Solar GmbH, one of the world's largest manufacturers of solar cells.

Markus Kurdziel, a climate specialist with the Greens, said Germany could meet its energy needs well into the next century without nuclear energy by simply encouraging greater energy efficiency in electricity use, heating and transportation.

"The main problem is the energy price," he said. "As long as electricity, heating oil and gasoline are so cheap, there is no incentive to use less" and to conserve energy.

Mr. Kurdziel, citing a recent study by a committee of Parliament, said Germany could meet as much as 75 percent of its energy needs from renewable sources by 2050.

German industry, however, is particularly disconcerted that the country is talking about abandoning nuclear power just when Southeast Asia is embracing it.

Of 60 nuclear power plants under construction worldwide, 14 are in Southeast Asia, which is becoming a major export market for German technology, especially major infrastructure projects such as power plants, rail lines and telecommunications.

Despite the appearance of a national backlash against it, nuclear power is one of the

See NUCLEAR, Page 11

China Targets Defiers of State Price Controls

Reuters

BEIJING — Inspectors will be sent out across China soon to verify that government-imposed price controls are being observed, the official People's Daily said on Sunday.

Concerns that inflation's recent decline might be reversed because of a widespread disregard of state price directives led to the step, the newspaper said. Deputy Prime Minister Zhu Rongji called for national vigilance after prices rose 0.7 percent in April, having declined in the first three months of the year, state television said.

Many regions have defied a crackdown on new construction projects ordered by Beijing, Mr. Zhu said. He added that the number of new projects begun in the first four months of 1995 had been estimated at 8,325 and that investment in new construction had increased by 53.5 percent over the corresponding four-month period in 1994.

Many regions have also ignored curbs on price rises, Mr. Zhu said.

Analysts said the nationwide check on price controls, due to start in early June, was clearly intended to halt defiance of government orders to stop price rises, especially on farm products.

"Retail price hikes in different localities across the country have been falling since the beginning of the year, but there is still quite a gap from the desired target for this year," a member of China's cabinet said.

Inspectors will carry out the nationwide check from early June through early July. They will be required to verify implementation by regional governments of various state policies.

Beijing launched a campaign this year to halt price rises after consumer-price inflation in 1994 of more than 24 percent. China's economic policymakers

have set a target of 15 percent inflation for this year, but official reports have revealed that that goal may be slipping out of their grasp, with agricultural products a major concern for a second straight year.

Bond Sale Is Canceled
China has scrapped a \$100 million overseas bond sale aimed at financing the world's largest dam project, preferring to tap its own foreign-exchange reserves, a state-controlled news service said, according to a Bloomberg Business News report from Beijing.

The sale of bonds to fund construction of the Three Gorges Dam had been arranged by the Wall Street investment houses Merrill Lynch & Co. and Morgan Stanley & Co. and by Nomura Securities Co. of Japan.

Seoul Tonic Brought Out For Bourse

Agence France Presse

SEOUL — South Korea has announced a long-awaited package of measures aimed at shoring up its sagging stock market by buying up surplus quantities of new shares and curbing new stock issues.

The Finance and Economy Board said the state's market stabilization fund would start buying shares Monday.

Public sales of state-owned shares and new issues of financial institutions that had been planned for the third quarter of this year will be put on hold.

Financial institutions will be urged to buy more shares than they sell, and the volume of bonds will be controlled to avoid weighing down share prices.

Germany Targets the Gulf Market

Agence France Presse

DUBAI, United Arab Emirates — Germany launched a drive Sunday to sell high-tech products in the Gulf, opening the first "purely" German trade-show exhibit in the region, a senior official said.

Germany, which has deployed 120 companies for the show, sees the United Arab Emirates as "a hub of trade" for the Middle East, said Heinrich Kolb, parliamentary state secretary of its Ministry of Economics.

The United Arab Emirates is also well placed for selling to India and East Africa and is a good place for German companies to invest because of low energy prices, a trained labor force and political and financial stability, Mr. Kolb said.

German exports to Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Oman and Bahrain soared 12.6 percent last year to 8.5 billion DM (\$6.15 billion), according to figures provided by the German Consulate.

Saudi Arabia was the main market, at 4.1 billion DM, a jump of 15 percent over 1993.

Israel Postpones Vote on EU Pact

Reuters

TEL AVIV — The government postponed a vote scheduled Sunday on a trade agreement with the European Union, a spokeswoman said.

She said the vote could not be held with Foreign Minister Shimon Peres out of the country.

Seoul Notebook

No Dog's Life for Pet-Food Firms

Thanks to South Korea's growing affluence, the dog-food market is growing at up to 30 percent per year. One result has been that the government no longer has to worry that pet-food advertising will breed resentment among the poor who, not so long ago, struggled just to pack school lunches.

Yet Ralston-Purina Co., Master Foods and other Western pet-food powers are keeping their ad spending on a short leash. Why? Because while keeping dogs as pets has become a trend here, so has the consumption of dogs.

As in Vietnam, China and the Philippines, dog is perceived as a delicacy in Korea. Helpings of man's best friend have been particularly popular here during the wintertime of summer, perhaps because dog meat is associated with vitality and virility. The dog feed market remains much larger than the dog-food market.

Yet Western companies, apparently willing to let South Korean suppliers nose their way in, are only nibbling at the new advertising opportunities. They fear a public relations disaster should Western customers think that the company that makes Fido's food also helps make Fido into food.

Companies thus have chosen either to price themselves out of the dog feed market, or to run only image-advertising campaigns.

"It's a strictly segmented market," said Kim Boo Jong, marketing manager of Purina Korea Inc., which spends about \$5 million won (\$46,000) per month on ads and controls more than half the dog-food market, which is worth 10 billion won per year. "Dog meat is dog meat and dog food is dog food. It's two different cultures."

But industry sources say it is inevitable that some dog food, as well as feed for other animals, winds up being consumed by dogs which are being bred to be eaten by humans. "They have to feed these dogs something and there are only so many dog scraps to go around."

A Boost for Broadcasters

South Korea's broadcasting industry, its growth long stunted by censorship-minded postwar military regimes, is finally joining the

modern age. In March, Seoul authorized the launch of cable TV and, later this year, regional stations are to go on the air. By the middle of next year, another 20 satellite channels should come on stream.

The government gave its blessing to the new broadcasters out of a desire to keep up with the so-called information revolution. Private cable operators, they believe, are key to getting South Korea wired up.

The revolution may be good news for South Korean consumers, but cable TV operators and foreign cable companies are not entirely pleased.

Cable TV operators were encouraged to make their investments at a time when few believed that the government would go ahead with satellite broadcasting anytime soon. At the same time, Seoul has granted licenses to many operators. About 120 are expected to be issued by the end of the year — far too many for all to be profitable.

Crackdown on Card Scams

Seoul is clamping down on credit-card con men, now the main source of consumer finance in South Korea.

Heavy-handed government regulations and high interest rates have stunted the growth of a legitimate consumer finance industry. So for most South Koreans, credit-card cash withdrawal is the only way to get cash in a hurry.

To circumvent tight limits on legal cash-advance withdrawals, however, many turn to the so-called curb market, where back-alley bankers write up bogus purchase receipts and hand over cold cash.

Step one in Seoul's crackdown is deregulation. Revolving credit, now banned, will be permitted later this year. This should relieve pressure on individuals to pay off their balances, which now must be cleared monthly, said K.B. Kim, general manager of Master-Card International's Korea Office.

Step two is tougher scrutiny. All card transactions must now be approved with telephone authorization, a move that should cut out many curb-market operators.

Steven Brull

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France F.F.	1,950	40	590
Germany D.M.	700	32	210
Great Britain £	210	32	65
Ireland £Ir.	230	37	68
Italy Lire	470,000	50	145,000
Luxembourg L.Fr.	14,000	41	4,200
Netherlands Fl.	770	40	230
Portugal Esc.	47,000	44	14,000
Spain Ptas.	48,000	41	14,500
hand deliv. Madrid Ptas.	55,000	33	14,500
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Herald Tribune
THE WORLD'S DAILY NEWSPAPER

CURRENCY RATES

Cross Rates	May 20
Amsterdam 1.542	1.542
Brussels 1.200	1.200
Frankfurt 1.007	1.007
London (G) 1.259	1.259
Madrid 1.625	1.625
Paris (D) 1.482	1.482
Porto 1.415	1.415
Tokyo 1.371	1.371
Toronto 1.345	1.345
Zurich 1.509	1.509
1 SDR 1.540	1.540

Close in Amsterdam, London, Milan, Paris, New York, Toronto and Zurich. Rates in other centers.

a: To buy one pound; b: To buy one dollar; c: Units of 100; N.G.: not quoted; N.A.: not available.

Other Dollar Values	May 20
Currency Per \$	1.00
Argentine peso	1.387
Australian \$	0.723
Aust. schill.	13.760
Brazil real	0.258
Canadian \$	0.723
Chilean peso	25.000
Czech koruna	2.000
Danish krone	6.460
Deutsche mark	1.936
Fin. markka	5.947
French franc	6.555
Irish pound	7.876
Italian lire	2.036
Japanese yen	163.890
South Korean won	200.000
Spanish peseta	166.667
Swedish krona	8.466
Swiss franc	1.475
Thai baht	55.946
US dollar	1.000
West German mark	1.936
Yugoslav dinar	20.000

Source: ING Bank (Amsterdam); Deutsche Bank (Frankfurt); Banca Commerciale Italiana (Milan); Agence France Presse (Paris); Bank of Tokyo (Tokyo); Royal Bank of Canada (Toronto); IMF (SDR). Other data from Bloomberg, Reuters and AP.

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CAPITAL MARKETS ON MONDAY

Most Active International Bonds

The 250 most active international bonds traded through the Euroclear system for the week ending May 25. Prices supplied by Telex.

Austrian Schilling

Rnk	Name	Cm	Maturity	Price	Yield
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Belgian Franc

Rnk	Name	Cm	Maturity	Price	Yield
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Danish Krone

Rnk	Name	Cm	Maturity	Price	Yield
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Deutsche Mark

Rnk	Name	Cm	Maturity	Price	Yield
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Dutch Guilder

Rnk	Name	Cm	Maturity	Price	Yield
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ECU

Rnk	Name	Cm	Maturity	Price	Yield
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Finnish Markka

Rnk	Name	Cm	Maturity	Price	Yield
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French Franc

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Italian Lira

Rnk	Name	Cm	Maturity	Price	Yield
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Japanese Yen

Rnk	Name	Cm	Maturity	Price	Yield
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Spanish Peseta

Rnk	Name	Cm	Maturity	Price	Yield
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Swedish Krona

Rnk	Name	Cm	Maturity	Price	Yield
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U.S. Dollar

Rnk	Name	Cm	Maturity	Price	Yield
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Eurobond

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Eurocurrency

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Euroswap

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Eurolease

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Dollar Stands Again at the Precipice

By Carl Gewirtz
International Herald Tribune

PARIS — With even the optimists throwing in the towel on the outlook for the dollar, analysts are now counting on a cut in German interest rates to keep the U.S. currency from crashing to new lows.

The setback last week that saw the dollar plunge through key chart points against the Deutsche mark and the yen like a hot knife through butter has set the stage for "a renewed assault on the record lows," said Paul Cherkow of Union Bank of Switzerland.

It's "back to the precipice," he added, although he believes a combination of U.S. rate increases and German cuts will see the dollar at 1.55 DM and 96 yen within a year. But the view prevailing in the market is much less sanguine.

The dollar ended the week at 1.3711 DM after a midweek setback at breaching 1.45 DM, a level widely regarded as the top of its current trading range. Likewise, after failing to rise above the perceived cap of 88 yen, the dollar fell back to 82.83 yen by the end of the week.

Although the bulk of the setback occurred when Contin-

tal markets were closed Thursday, the continued decline Friday punctuated any hope that the retreat had been a fluke caused by thin trading.

Activity this week will be curtailed, as New York and London are closed for holidays on Monday, and then traders will be awaiting the release Friday of an important report on May U.S. employment containing

and bond markets have factored in a reduction in official U.S. interest rates and now need to adjust

because few people any longer see such a cut on the horizon.

annual benchmark revisions. This should clarify the depth of the economic slowdown that is under way in the United States.

Even a neutral report is unlikely to be helpful, warned Malcolm Roberts of Union Bank of Switzerland, who expects U.S. bond prices to fall.

"Diverging inflation trends are likely to be reflected in a persistently strong mark, and we expect the Bundesbank to respond through lower rates," said Joanne Perez at Banque Indosuez.

In other words, the money

cut by the Fed will be sufficient to boost the dollar.

Rather, the renewed strength of the mark against the dollar and, more important, against currencies of inflation-prone Spain, Italy, Sweden and France, may well drive Germany to cut its interest rates.

"Diverging inflation trends are likely to be reflected in a persistently strong mark, and we expect the Bundesbank to respond through lower rates," said Joanne Perez at Banque Indosuez.

Kenneth Schoenholtz at Salo-

mon Brothers concurred, saying that "signs of economic slow-down favor additional monetary ease" in Germany.

But others warn that interest-rate levels have virtually nothing to do with what is going on in the foreign exchange market.

Andreas Drobny at CS First Boston said the dollar actually gained interest-rate support last week, with the futures market assuming a cut in German rates.

December contracts for three-month money left U.S. rates 134 basis points above German rates, compared with the previous spread of 125 basis points.

That the dollar fell despite this, said Mr. Drobny, shows that interest-rate expectations are not driving the market.

Neil MacKinnon at Citibank sees a much more fundamental force at work. "The market," he said, "is saying it fears that the United States, which is now the world's largest debtor country, cannot effectively discharge its external liabilities at the prevailing level of the exchange rate."

"Clearly, America's net debt or status undermines the dollar's role as the principal reserve currency. About 60 percent of world reserves are currently held in dollars, which I believe is way too high. What we're seeing is a structural shift in portfolio preferences away from the dollar as a reserve currency towards the hard currencies, the Deutsche mark and the yen."

He added, "There is some hope in congressional moves to balance the budget, but I expect the upcoming presidential campaign will stymie progress on structural fiscal improvement" until after the 1996 election.

By then, he predicted, the dollar will be trading at 1.15 DM and 70 yen.

While Mr. MacKinnon is the most hawkish on the dollar's outlook, he has much support for the direction of the currency. Hermann Rensperger at BHF Bank in Frankfurt said "the dollar could test its lows," while Julian Jessop at HSBC Markets in London said "it's only a question of time until we see new lows at 1.30 DM and 75 yen."

The major beneficiary of this trend is expected to be the mark bond market, said Jan Loeyts at J.P. Morgan in London. Yields on 10-year government bonds, currently 6.73 percent, "are headed to 6.5 percent and possibly 6.25 percent."

A Pause Before the Flood of Data

Knigh-Ridder

NEW YORK — Data usually carry the day. While the beginning of the stream of May economic data this week could herald a resumption of the recently stalled Treasury market rally, many are saying a pause is in order to assess whether the market has got a little ahead of itself.

The price of the benchmark 30-year Treasury bond surged more than two points Tuesday and Wednesday and continued its ascent Thursday

before running into a wave of selling from long-term investors. While it managed to finish with a modest gain Thursday, the Friday market was dominated by profit-taking.

"The market needs to rest," said Jay Goldinger, market strategist at Capital Insight. "My gut feeling is that we will rest next week and pull back a little."

But given the rapidity with which yields have fallen, and the high quality of the economic data due out this week, analysts would not rule out another big move to the upside.

The week contains such data fixtures as the Conference Board's consumer confidence survey

on Tuesday, revisions to first-quarter gross domestic product and new home sales for April on Wednesday, the National Association of Purchasing Management survey on Thursday and the May employment report Friday.

The market has already factored in the view that the second quarter was weak, said William Stevens, portfolio manager at Montgomery Asset Management.

"Probably the next few numbers are not going to be new news, so the market is going to just flop around," he said.

Economists remain divided about whether the next policy move by the Federal Reserve will ease or tighten credit. The Fed left rates unchanged last week and now is widely expected to keep them on hold at least through September.

The bill sector could get a boost this week if, as expected, the Federal Reserve buys bills to permanently add reserves to the financial system. The Fed is expected to buy \$4 billion to \$5 billion in bills Wednesday for settlement Thursday to cope with a seasonal rise in currency in circulation.

Another wild card for the short end of the market is the dollar. The bill sector has been the biggest beneficiary of central bank action.

U.S. CREDIT MARKETS

before running into a wave of selling from long-term investors. While it managed to finish with a modest gain Thursday, the Friday market was dominated by profit-taking.

"The market needs to rest," said Jay Goldinger, market strategist at Capital Insight. "My gut feeling is that we will rest next week and pull back a little."

But given the rapidity with which yields have fallen, and the high quality of the economic data due out this week, analysts would not rule out another big move to the upside.

The week contains such data fixtures as the Conference Board's consumer confidence survey

on Tuesday, revisions to first-quarter gross domestic product and new home sales for April on Wednesday, the National Association of Purchasing Management survey on Thursday and the May employment report Friday.

The market has already factored in the view that the second quarter was weak, said William Stevens, portfolio manager at Montgomery Asset Management.

"Probably the next few numbers are not going to be new news, so the market is going to just flop around," he said.

Economists remain divided about whether the next policy move by the Federal Reserve will ease or tighten credit. The Fed left rates unchanged last week and now is widely expected to keep them on hold at least through September.

The bill sector could get a boost this week if, as expected, the Federal Reserve buys bills to permanently add reserves to the financial system. The Fed is expected to buy \$4 billion to \$5 billion in bills Wednesday for settlement Thursday to cope with a seasonal rise in currency in circulation.

Another wild card for the short end of the market is the dollar. The bill sector has been the biggest beneficiary of central bank action.

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Japan Inc.'s Supplier Firms Get Pummeled as Yen Soars

By Andrew Pollack
New York Times Service

TOKYO — For all the focus on how the rising yen is hurting powerful exporters such as Honda and Hitachi, the impact is far worse on Japan's small, anonymous manufacturers supplying the parts to the brand-name giants.

The small factories either cut prices of their parts to help the big companies maintain their profits or they lose business when the bigger companies relocate factories offshore.

Yet these small factories have been instrumental in making Japan Inc. what it is — an efficient producer of high-quality goods. As their numbers keep dropping, there is growing fear that Japan is losing some of its fundamental manufacturing know-how and possibly its ability to come out with new products.

National and local officials, as well as the companies themselves, are devising countermeasures. The Ministry of In-

ternational Trade and Industry is offering loans as well as advice to small factories.

The ebbing of the manufacturing culture is being played out in Ota, an area in southern Tokyo that is home to more than 7,000 small factories, mostly in the metalworking business, and 80 percent of have with fewer than 10 employees. These are not direct suppliers to the big companies but to the second- or third-tier ones.

In the last decade, more than 2,000 factories have vanished from Ota, driven out of business, or at least out of Tokyo, by spiraling land prices, recession, difficulties in recruiting workers and the rise of the yen.

In one sense, Ota is to metalworking in Japan what Silicon Valley is to electronics in the United States. Just as Silicon Valley in California has the engineers, programmers and financiers who join to create electronic products, Ota has a network of specialized workers to supply almost any metal

part, often quickly and in lots as small as one.

But Mitsubishi Seki, a professor at Soshu University, said Japan was losing its "full-set" industrial structure, in which it made virtually all components by itself, and would be more fully integrated with the economies of other Asian nations.

U.S. parts suppliers could also benefit as the big Japanese companies move more of their manufacturing — of cars, machine tools and electronics — to the United States.

Ricoh Co., the office equipment maker, is now importing 10 percent of its parts from China and elsewhere, up from 2 percent a few years ago.

South America Dreams of a Mega-Canal

By James Brooke
New York Times Service

ASUNCION, Paraguay — Entranced by visions of barges piled high with sugar, soy and wheat, Latin American businesses are pressing for construction of a 2,000-mile (3,200-kilometer) waterway that they say would be South America's liquid spinal cord.

The project, called the Hidrovia, or waterway, would speed shipping by straightening and deepening the Paraguay and Paraná rivers. It would open an outlet to the sea for Paraguay and Bolivia and would help the continent's new southern common market to integrate trade.

The waterway, which could

cost \$1 billion, would also run through parts of Brazil, Argentina and Uruguay.

President Juan Carlos Wasmosy of Paraguay, whose office here overlooks the slow-moving Paraguay River, said the waterway would help the country overcome its sense of being landlocked. "Instead of barges carrying 500 tons, we would be able to have barges carrying 2,000 tons," he said.

The Inter-American Development Bank is directing the project and would finance a major portion with matching funds from the five countries involved in environmental approval is received.

But environmentalists fear that the river-dredging and channeling project would pull the plug on the world's largest

wetlands, the Pantanal in Brazil, an area that is home to 600 bird species. Downriver, it would cause flooding, they say.

"The five-country region can little afford the destruction seen in the Mississippi and Everglades," the Environmental Defense Fund, a Washington-based group, warned recently about the Hidrovia.

"If you cut through the river meanders and blow up the rocks, the river is going to run faster, and it's going to flood faster," warned Raúl Gauto, executive director of a leading environmental group here, the Moises Bertoni Foundation, named for a Swiss naturalist who worked in Paraguay.

Scientists say the Pantanal wetlands act like a vast sponge, regulating the flow of rainwater

into the Paraguay River. It now takes about six months for water to flow from the Pantanal to the Atlantic Ocean. Hydrologists argue that faster flows could expose downriver areas to flash flooding.

With fresh memories of billions of dollars in damage caused by the Mississippi River floods of 1993, the Development Bank signed contracts in February for \$10 million of engineering and environmental impact studies for the project. Work could start late next year if an agreement can be reached.

"For a long time, we have been dredging the river, and nothing has happened," Eugenio Sanabria Cantero, director of the agency, said. He said the project would benefit 17 million people living in the region.

But some scientists challenge his contentions. After the Pantanal suffered its worst drought in 20 years last year, they questioned whether faster river flows from the dredging were already drying out the vast marsh, which is considered the world's most biologically diverse wetland.

Tuesday

STYLE

From Paris to Milan, from New York to Tokyo, fashion editor Suzy Menkes covers the fashion front. With additional reporting on lifestyle issues, the Style section provides up-to-date information on developments in the changing world of creative design.

Every Tuesday in the International Herald Tribune.

Herald Tribune
PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST
THE WORLD'S DAILY NEWSPAPER

NUCLEAR: Protests in Germany

Continued from Page 9

industries in which German companies such as Siemens AG have maintained a technological edge.

Together with Framatome Connectors France SA, Siemens and several other French and German companies recently agreed to begin basic design of a new generation of power plant, called the European pressurized water reactor.

If the next round of so-called energy consensus talks on Germany's future mix of coal, nuclear, gas and other sources of power on June 21 fails to support continued research in atomic energy and to leave construction of new power plants an option for the future, the result would be an exodus of German technology and talent that the country would live to regret, Mr. Majewski said.

"Our researchers will move

away, and Germany will be forced to import electricity," he said.

Hans-Olaf Henkel, chairman of the Federation of German Industry, has also come out on the side of nuclear power. "If we need new nuclear power plants after the year 2005 — we have enough to last us until then — we should build them," he said in a recently published interview.

"There are also responsible people in the Social Democratic Party that agree with me and the overwhelming majority of other industrial nations that we need nuclear power," he said.

Meanwhile, Günter Rexrodt, Germany's economics minister, said a greater reliance on nuclear power would help Germany meet its commitment to reduce its consumption of fossil fuels, which are thought to contribute to global warming.

The Week Ahead: World Economic Calendar, May 29-June 3, 1995

A schedule of this week's economic and financial events, compiled for the International Herald Tribune by Bloomberg Business News.

Asia-Pacific

• May 29 Sydney April balance of payments.
• Sydney April building approvals.
• Sydney Reserve Bank officials John Veale and Bob Rankin talk to the Securities Institute of Australia about changes to the clearing and settlements system.
• Tokyo April large-scale retail sales.
• Sydney Government to sell 1 billion Australian dollars of March 1998 Treasury adjustable rate bonds.
• Earnings expected Fisher & Paykel Industries, Warehouse Group.
• May 30 Sydney April retail spending report.
• Tokyo April industrial production.
• Earnings expected Wilson & Horton.
• May 31 Singapore Urban Redevelopment Authority to sell two land sites for mixed residential and commercial development at a public auction.
• Sydney First-quarter GDP.
• Sydney April new motor vehicle registration.
• Earnings expected Stan Cement.
• June 1 Wellington Finance Minister David Cunliffe budget statement for year beginning July 1.
• Sydney May commodity prices.

Europe

• Sometime this week.
• Frankfurt May preliminary cost of living.
• Frankfurt May 02 percent in month and up 2.2 percent in year.
• Frankfurt March capital account.
• Frankfurt May import prices.
• Frankfurt May 0.1 percent in month and up 1 percent in year.
• Rome April bank lending.
• Rome April balance of payments.

• May 30 New York Johnson Red-Book research service releases weekly survey of same-store sales at more than 30 department, discount and chain stores in the U.S.
• Washington American Petroleum Institute issues weekly report on U.S. petroleum stocks, production, imports and refinery utilization.
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• Ottawa March employment, earnings and hours report.
• Earnings expected Bank of Nova Scotia, Eckard Corp.
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• Earnings expected Lutron Industries Inc., Seagram Co.
• June 1 New York Marmot International Inc. announces a partnership with United Air Lines Corp.
• Boston Federal Reserve Bank of Boston conference on easing gaming.
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• Earnings expected Canadian Imperial

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Continued on Page 19

Egypt

A DYNAMIC COUNTRY IS TRANSFORMING ITSELF

The critical months ahead will shape the country for the next four years, as the economic reform process picks up speed.

Cairo has had its differences with creditors and the International Monetary Fund over the pace of reform but is quietly confident that this time it has got it right. The past year has been spent consolidating policy and macroeconomic infrastructure and starting the process of marshalling internal financial resources. As these resources come into play, the political and business leadership is beginning to savor the benefits of a measure of financial independence.

In the regional arena, Egypt is content to take a back seat in the Peace Process. It took a strong lead in protests at Israel's expropriation of Arab lands in East Jerusalem and in voicing reservations over signing an open-ended extension of the Nuclear Non-Proliferation Treaty without Israel's participation.

"We want to keep the Americans in the forefront," says Osama el-Baz, director of the President's Office for Political Affairs, of the Syrian negotiations. "The United States should present a draft position paper to break the deadlock, he maintains. Peace will come because the advantages outweigh the disadvantages for all sides, but he warned that the region may be running out of time with the Israeli and American election seasons getting into gear next year.

Stable environment

On the home front, the successes are easier to define: a stabilized macroeconomic environment where the policy direction is set and the economy responds to controls. The budget deficit for the current year to end in June is on the 1.5 percent target set by the IMF's structural adjustment

program. Inflation is under 10 percent on an annualized basis; it dipped back to 9.4 percent in March after rising above 10 percent in the preceding three months, and real interest rates are 1.5 percent to 2 percent, sufficient to attract savings. The growth rate is a subdued 3 percent to 4 percent and is projected at 4 percent for 1995-96.

Agreement foreseen

Of the elusive IMF agreement, Minister of State for International Cooperation Youssef Boutros Ghali says, "We are 90 percent there and still talking." Both sides want to increase the growth rate and employment and agree on the tools to be used, according to Mr. Boutros Ghali. "The trick is what combination of these tools to use."

The lack of agreement means that Egypt cannot draw down the last \$4 billion tranche of debt relief granted after the Gulf War. Running past the end of the year incurred a significant debt service penalty. After 1996, Egypt will also have to start adjusting to diminishing aid from the United States.

Increasing convertibility of the pound, however, means that Egypt now has some financing options. "Obviously when your resources decline, you suffer," says Mr. Boutros Ghali, "but it would be the same if my tax or customs revenues went down."

Aid is no longer the main foreign exchange provider. Its decline doesn't mean my dollar receipts are going to be a problem. It does mean, however, that the resources available to the economy are going to decline, that I am going to have to substitute

these resources with others generated domestically."

Sophisticated market

And that is what the government is doing. The framework of the market economy has been set in place, the institutions have been established and now the process of "furnishing" financial markets is in hand.

"We have always underestimated the market's sophistication, its capacity to absorb instruments," notes Mr. Boutros Ghali. On the one side, managers are discovering the wonders of market management and market forces, and on the other, workers in the economy itself are discovering the muscle of capital markets and the banking system. "Both sides are groping for a new equilibrium," he says. It is a process he does not believe should be forced because once it is properly established it will provide a good platform for later acceleration. The business environment has improved dramatically. Egypt now gives tax incentives to enterprise, and the Investment Authority is being reformed. Ibrahim Kamel, chairman of Kato Aromatics SAE and himself a member of the Investment Authority board, predicts that the board will confine itself to policy and move out of administration altogether.

Projects worth less than 50 million Egyptian pounds (\$14.7 million) now go through on a nod, and it may not be long before all restrictions on project size are removed.

Mr. Kamel, who heads the prestigious Presidents' Council, which was established by U.S. Vice-President Al Gore and Egyptian President Hosni Mubarak in order to strength-

en bilateral business ties, is conscious of the necessity of showing the acceptable face of capitalism. "The idea of capitalism without social responsibility is a recipe for disaster," he warns.

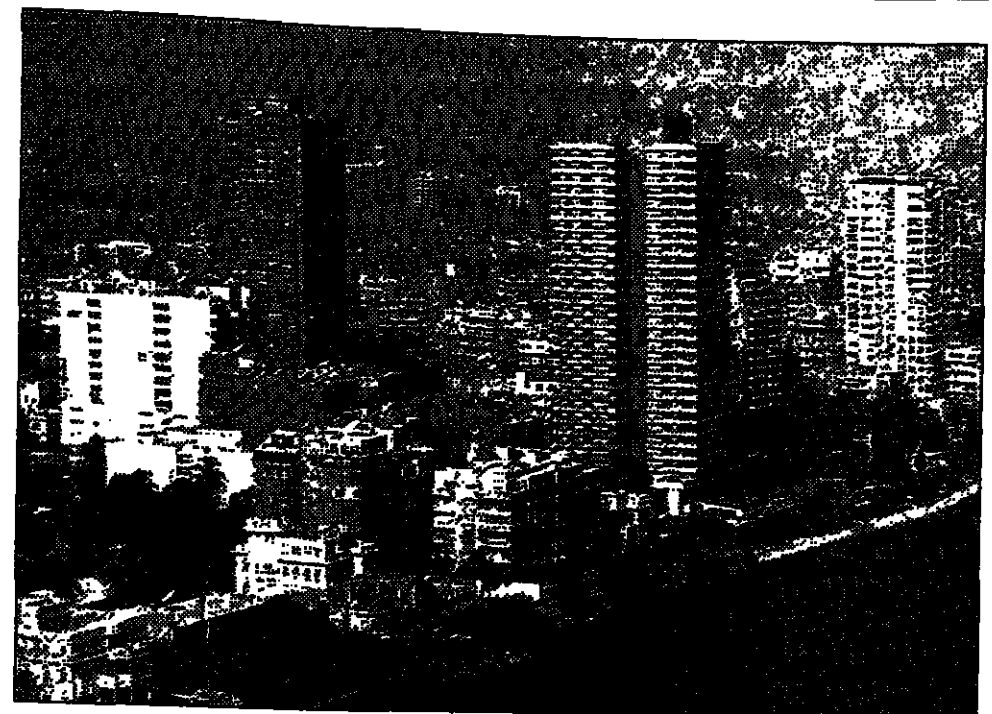
He is sensitive to criticism that the regions, and particularly Upper Egypt, have been neglected. He thinks that Mr. Mubarak's decision to grant land to investors in industrial zones being established in Beni Suef, Minya, Assiut, New Valley, Sohag and possibly Aswan is important for sending "a clear signal to governors, government agencies and investors that it is the political will of the whole country to help Upper Egypt."

Public confidence

Mr. Kamel thinks 1996 will be a critical year. If the public begins to see the fruits of the policy this year and votes in young dynamic members in next year's general election, with the infrastructure and the legislation in place, "they could achieve a lot in four years." A little prosperity and public confidence in the reform process will make restructuring of the public sector — the next and ultimate challenge — that much easier.

Mr. Boutros Ghali agrees that there is a window of opportunity that will not remain open indefinitely. "I am not complacent," he says. "We are off to a good start, but we have a long way ahead. The equilibria are there and working, but as long as I have not achieved a steady, labor-intensive growth of 6 percent to 7 percent, which would allow me to nibble at the pool of unemployment, I am falling behind."

Alan Mackie



Sharm El Sheikh, Sinai Peninsula (top); Cairo's skyline (middle); traders on the Cairo Stock Exchange.

WATER IS LIFE

January 1995. We have launched a water plant project. Plans to build a water plant in Nema Bay Sharm El Sheikh, South Sinai, Egypt.

The water plant project to produce 3000 m³/day of desalinated water for drinking according to international specifications will cover all touristic projects in Nema Bay Sharm El Sheikh.

This plant includes a computerized control system for drinking water. It includes 6000 m³ underground water tank and a design for engineers and all staff.

A contract for 10 years was signed with German company using A membranes and technology.

• Second phase expected to start during 1995 which will include 6000 m³ of treated irrigation water and additional 3000 m³/day of desalinated water and 6000 m³ under ground water tank, which will be sufficient to cover all the needs of the present and future touristic projects within a circle of 17 km around Sharm El Sheikh.



SOUTH SINAI WATER CO

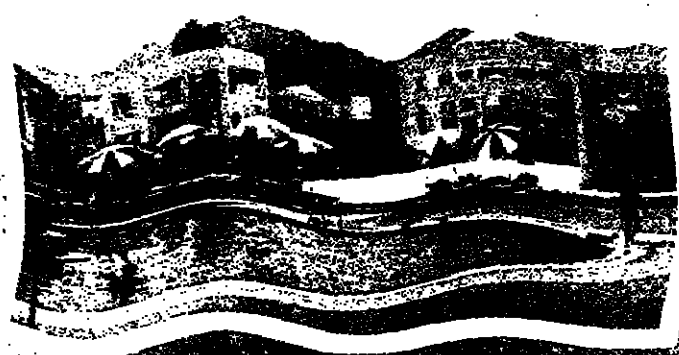
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Egypt

REAL ESTATE DEVELOPMENTS SPRING UP

Spacious villas make good investments in Egypt's new industrial cities, in commuting distance from Cairo.

Planners have long been at a loss as to how to persuade urban dwellers, particularly those in Cairo, to forsake their poky polluted flats in the big city for the open spaces and pure desert air of the new communities. But in the nature of seeds sown on stony ground finally taking root, the idea may just be catching on.

There are several reasons why. The new industrial cities, such as Tenth of Ramadan and Sixth of October, which took root and grew in the 1980s, have matured. The transverse Egyptian commuter, living in the new cities, was born. These new commuters have money to invest and are not averse to deserts and fresh air.

What pushes them to send away for the glossy brochures of the new up-market urban developments sprouting up around Cairo is the realization that their flats in a high-rise block in Helipolis or Zamalek would probably fetch twice as much as a new villa with swimming pool in one of these new communities: sell the flat, buy the villa and bank the difference for a rainy day, the argument goes.

The government has laid plans for a surge of middle-to-high-income communities between Cairo and Ismailia, each providing for around 50,000 inhabitants. The authorities lay on the infrastructure and sell land in lots of 600 square meters (717 square yards) upwards.

A number of private-se-

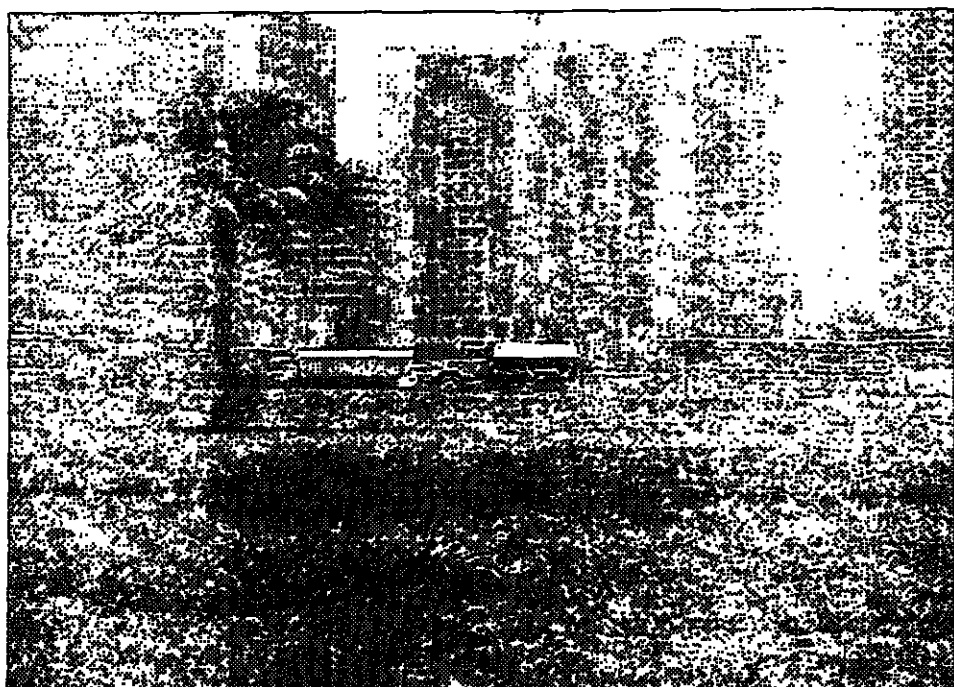
tor development companies have taken the bait. One is Construction and Development Engineering (CDC), an affiliate of the Hassan Dora Group. CDC has bought 1.1 million square meters in Shuruk 2000 and is developing a residential compound of 600 villas. These are being marketed in some 20 de-

shopping amenities. It will also be secure.

CDC only began marketing the villas in January and has already sold 120 at price tags varying from around 500,000 Egyptian pounds (\$147,145) up to 1.5 million Egyptian pounds. Explaining people's interest in the property despite the fact that

River in Giza. Mr. Kamel is marketing the First Building nearby, which will be Cairo's most luxurious complex when it is completed next year, at similar prices. At a quarter of Manhattan, London or Paris prices, it makes a good investment, he reckons.

How much longer proper-



Since the 1980s, high-rise buildings have been built for middle- to high-income families.

signs and in lots varying between 450 and 1,250 square meters.

Described in the promotional literature as "a fantastic paradise" of parks, trees and open spaces, the compound will have the added attraction of sporting and

the utilities will not be in place until mid-1997. CDC's General Manager Zakaria Zidan says, "About 80 percent of people are buying for investment."

Soaring prices

Certainly, getting in on the ground floor of such schemes can be lucrative. Real estate prices continue to soar. Prices in the Nile-side Agha Khan Development in northern Cairo, not the smartest area in town, have jumped from 800 Egyptian pounds to 2,000 Egyptian pounds a square meter in the past two years.

There are signs of prices stabilizing, however. The Abdulaziz Ali al-Mutawa Group is marketing its luxury Villa Blanche condominium at the Pyramids at 2,200 Egyptian pounds a square meter after a careful analysis of market trends. These prices compare with 3,000 Egyptian pounds to 4,000 Egyptian pounds a square meter for choice areas of Zamalek and Mohandeseen and pale beside the \$3,000 a square meter obtained by Ibrahim Kamel for a 17-story block situated by the Nile

prices can sustain these levels, let alone continue to climb, is open. Egyptians, especially those returning from Saudi Arabia and the Gulf, still regard a villa in a new community or a tourist village as the best hedge against a weak currency.

But the acute housing shortage is easing. The government is building low-cost housing in earnest in addition to catering to middle- to high-income groups with joint private sector schemes. Further, the impending change in the rent law will release a flood of rented accommodation from an estimated 1.5 million unoccupied apartments.

For the time being, the lack of easy credit makes the property market less prone to a speculative fall; the advent of mortgages could indeed help sustain prices. The real issue, however, is inflationary expectations: if the government is serious about beating inflation, then attitudes about property will change. Equally, if a lifestyle revolution is taking place in Egypt, then urban property is likely to feel the pinch first.

A.M.



The Aluminium Company of Egypt (Egytalum), a vast complex in Naga Hammadi, employs several thousand people.

A NATIONAL INDUSTRY'S SUCCESS STORY

An aluminum company in Upper Egypt reinvents itself with updated equipment and improved engineering.

The Naga Hammadi aluminum complex in Upper Egypt is a classic example of a state enterprise that has successfully reinvented itself. And, thanks to the recent revival in aluminum prices, it is now ready to take on the world.

The Soviet-built smelter started life as a white elephant with power-guzzling, labor-intensive technology and has been gradually revamped into a working elephant—as much by in-house engineering as by the addition of new equipment. Now Aluminium Company of Egypt (Egytalum), the operating company, has embarked on a massive expansion and rehabilitation program that will put the complex, the most integrated of its kind in the Middle East, in the same league as other regional producers. The expansion will be partly financed by the stock market.

"We will take the first step toward privatization in July, when the holding company [Metallurgical Industries Holding Co.] reduces its stake by 15 percent and increases the capital by 10 percent with the issue of new shares," says Chairman Soliman Reda Ali. The group made profits of \$27.5 million in 1993-94.

Naga Hammadi became fully operational in April 1977. At that time, it had a design capacity of 100,000 tons per year, which was subsequently increased to 166,000 tons per year. Opt-

ing for Western technology in 1983, when it became clear that there was little future in Russian technology, Egytalum instituted piecemeal changes, which enabled production to rise to 180,000 tons per year—14,000 tons per year above design capacity. Metal purity was also improved to a highly competitive 99.83 percent. Low metal purity had been a major handicap in marketing production internationally in the 1980s.

In November 1991, the company began testing a prototype pre-baked anode production cell.

This proved so successful, according to Zaki Basyouni, managing director of Smelter and Cast Houses Sectors, that 92 are to be installed over the next 12 to 15 months, and the existing 460 pots upgraded over the next five years. Tied in with this, bids are being studied for an AC/DC rectification substation. Cegelec of France has a contract to install a production control system using Pechiney software. ABB Fluor of Norway is supplying a gas-cleaning substation.

These changes and additions will raise the smelter's capacity to 200,000 tons per year in the latter half of 1996 and to 300,000 tons per year by the turn of the century. Meanwhile, contracts have also been awarded to a consortium consisting of Mechatherm International of Britain, Pechiney of France

and Wagstaff of the United States to build a new foundry. This will supply the jewel in Egytalum's crown, a state-of-the-art 60,000-ton-per-year cold press rolling mill. Currently, the complex produces only rolling slabs for sheets and flats. Wire rod for cables, billets for extrusion and alloys for car parts. Local consumption takes 80,000 tons per year, which will rise to 100,000 tons per year in July when the mill comes on stream. The rest is exported, mainly to the European Union, the Middle East and the United States. Exports account for 55 percent of Egytalum's \$300-million-a-year sales.

The mill, which is being constructed by Clecim of France, will greatly enhance Egytalum's export earning potential. The hot mill is due to begin test runs in July and has a design capacity of 100,000 tons per year. The cold mill, which is due to come on stream in September, is only the second that the contractor, Pechiney, has ever installed. It is a DSR (dynamic shape roll) mill capable of producing exceptionally thin (0.2 millimeters, or 0.00787 inches) and uniformly even aluminum sheeting.

Egytalum expects the cold mill's 600 million Egyptian pound (\$176.6 million) annual output to sell like hotcakes, particularly in the United States, which is a major consumer of cold press sheets and flats for canning and packing.

"We already have orders from Commonwealth Metal Corp. of the United States and MGMA [part of the Metallgesellschaft Group]," says Mahmoud Agag, the rolling plant director. Most of the 1 billion Egyptian pound finance for the mill construction comes from company resources, the impending share flotation and 450 million Egyptian

pounds in loans from Egyptian banks.

Fighting for profits

Finding funding is a constant struggle says Mohamed Sherif Hassan, head of project management and infrastructure, given Egytalum's ambivalent status as "a joint stock company working like the private sector." The government tends to milk profitable state enterprises to finance its own expenditure. Says Mr. Hassan: "We have to fight for our profits to make more projects."

The company tries assiduously to generate cash from ancillary industries. Its engineering workshops are providing most of the 35 percent local content for the new cold mill. These workshops have made furnace linings and spare parts for the Dikhaia steel works in Alexandria and built furnaces for a number of local companies. Egytalum is buying Mechatherm designs for a furnace manufacturing facility.

The company also runs an 800-hectare (1977-acre) farm that not only supplies the complex but also serves the wider community. Indeed, only 4,000 of the 10,000 employed by the complex work in aluminum production. Like other state enterprises in the fortunate position of expanding, Egytalum is tackling the problem of overstaffing by redeployment.

This does not, of course, help the local unemployment situation. The aluminum complex does, however, offer a beacon of hope to a region that has long been benighted by poverty and neglect. For the fortunate few who were originally recruited from the neighboring sugar-cane plantation, training and retraining have provided the security of lifelong work.

A.M.

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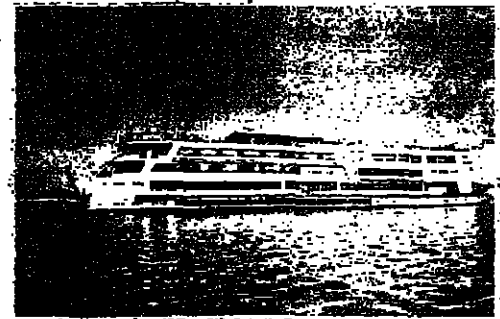
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Egypt

STOCK MARKET MAY GO INTERNATIONAL

As privatization speeds up, so does investors' interest.

There was pandemonium early this month in the offices of Triple A Company for Securities Trading, brokers to the Alexandria Pharmaceuticals Co., when applications for its first public share offer came flooding in. So large were the cash receipts that the brokers had to ask their bank to remain open to process them.

"People had been reading about [the offer] for the past three or four months in the press," says Mohamed Hosny, vice president of Triple A Securities. The word was out that it would be "another Pachin," the Paint & Chemicals Industries Company flotation launched at 250 Egyptian pounds (\$73.57) a share, which touched 720 Egyptian pounds before settling at 638 Egyptian pounds. Good profits were made in the stock market in 1994, the index increasing one and a half times over the year.

This year has so far been much quieter — which would explain why so many people registered themselves, their children, their grandchildren and long-departed ancestors for the Alexandria Pharmaceuticals offer. In the event, it was 15 times oversubscribed, while Pachin was 10 times oversubscribed.

Sure-fire winners
First flotations of privatized companies, especially well-run companies, are sure-fire winners because only a few shares are offered in order to create a market for larger subsequent flotations. The authorities pitch the offer at average people in the belief that they should enjoy some benefit from the sale of state assets.

The success of Alexandria Pharmaceuticals is good news on two counts. It helps

stimulate popular interest and confidence in the stock market's long-term prospects. Market turnover has, in fact, grown exponentially in the past two years — admittedly from a minuscule base. It was 1 billion Egyptian pounds in 1994 and is expected to double or triple in 1995.

Second, it marks a speeding up of the privatization process. That process has been given a decisive push by the public's growing appetite for new issues on the one hand and the World Bank's impatience with the slow pace of privatization on the other. "For the first time, the PEO [Public Enterprise Organization] has done three issues in a week," says Mr. Hosny.

Four and counting
Indeed, four public offerings came to the market in the first half of May alone. First-tranche issues, besides "keeping everyone very busy," tend to upset the rest of the market by creating a liquidity shortage when private investors seek to off-load other stock to get into the new issue. In contrast, second-tranche issues attract fresh funds. "People who apply for second-tranche issues are high-net-worth individuals and institutions that want to position themselves in the market," says Mr. Hosny.

Thus, while the press was reporting the pyrotechnics of Alexandria Pharmaceuticals, brokers Hermes Financial successfully launched a second 500,000 tranche of Tourah Cement shares. The flotation was four times oversubscribed. All applications were met in full, raising the private stake in the company to around 30 percent. A similar process has



Egyptian men and women working at the Cairo Stock Exchange.

taken place with Amreya Cement and Kabe El Nasr Clothing and Textile, where a 22-percent private shareholding before privatization has been raised to 30 percent.

New funds
New funds are being tapped slowly, and the market is deepening. It needs to. Of the Cairo stock market's 18 billion Egyptian pound market capitalization only around one-third is issued shares and "in the float," making for a very thin market.

The hope now is that foreign investors who have been eyeing the Cairo market will start participating. "International funds will help liquidity," says Aly el-Tahry, joint managing director of Hermes Financial, not-

ing that the firm tends to see emerging markets in a regional dimension. Most of the big investment institutions have a representative in Cairo now but have been deterred from dealing by the antiquated clearance system, among other things. A new clearinghouse is being established by Banque Misr that will reduce settlements to a simple book entry.

New money should spawn new products that the market badly needs. The four home-grown mutual funds established over the past year or so have been hamstrung by the lack of investment outlets. On the whole, they have performed creditably considering that they had to ride out the October 1994 stock market correction before notching up gains.

A.M.

BANKING: MORE THAN ENOUGH BUSINESS

Egypt offers public- and private-sector banks for every type of clientele in the country — and outside of it.

Banking in Egypt is undergoing a cultural as well as technological revolution as capital markets get into their stride and automation begins to transform the very nature of retail banking. At the same time, the deregulation of fees and commissions is shaking up the industry.

The banking community in Egypt is a heterogeneous group catering to very different clienteles. At the heart of the system are the "Big Four" public sector banks — National Bank of Egypt (NBE), Banque Misr, Banque du Caire and Bank of Alexandria — which still control 65 percent to 70 percent of bank deposits but generate only a small fraction of total profits. There is a group of local and Arab private-sector banks that caters to the needs of local industry and commerce, as well as expatriate Egyptians in the Gulf. There is also a group of private-sector "Western" banks that mainly serves Western corporate interests and high-net-worth individuals.

The state banks have spent

the last two years grappling with internal reorganization to accommodate the new market-led credit environment. They have also had to cope with the introduction of an automated national clearing system and the SWIFT international payments system. They have used the strength of their branch networks — they still own around 60 percent of the total — to promote credit and hire purchase schemes, and they can be expected to offer mortgages now that they have been legalized. In addition, they are moving into stockbroking and investment services.

NBE and Banque Misr were pioneers in launching their own mutual fund, and, along with Banque du Caire, in marketing their own Visa cards.

But the Big Four are encumbered by their ties with the hard-core public-sector state enterprises. They will not really be able to restructure until a solution has been found to refunding the public-sector debt.

The smaller private-sector banks have resisted Central

Bank attempts to have them merge. Nevertheless, they are under pressure to consolidate, reduce their liabilities and improve their loan portfolios. The Central Bank has concentrated on improving reporting standards and asking banks to upgrade their lending ratios to conform with the internationally recognized Basel requirements.

Western banks

For the Western banks, the market and the challenges have been different. By far the most relevant factor was the 1992 government decision to allow foreign branches with a capital base of \$15 million or more to deal in local currency without being subject to local banking provisions.

Fortunately, Cairo banks have been so profitable these past five years that there has been more than enough business to go around. "Egypt is still profitable," says Ahmed Dabbous, the regional head of American Express, which has four branches in Egypt. "Most of the leading banks, including us, are making a return on equity of 18 percent to 20 percent." The main source of profits is still trade finance, short-term lending up to one year and opening letters of credit for corporate clients. Mr. Dabbous predicts that those who have made the move into corporate finance/capital markets activities will make good money. "The know-how is not there yet; neither are the commodities, so they can charge good margins. The market will experience a sharp learning curve over the next two years, after which we will see good activities developing," he adds.

Indeed, banks that concentrated on finding and keeping "blue-chip" customers when there were still easy pickings to be made in T-bills have fared best. Egyptian American Bank (EAB), American Express's joint venture with Bank of Alexandria — seeing which way the wind was blowing when interest rates started falling in 1992 — made a push into corporate finance, investment banking, share valuations and financial engineering. It has also launched its own mutual fund and is preparing some bond issues.

The advent of T-bonds has added another dimension to banking. The first 3 billion Egyptian pound (\$882.8 million) tranche of the 15 billion Egyptian pounds that the authorities intend to raise was launched in April and was oversubscribed. The five-year bonds earn a minimum of 12 percent, or half of 1 percent over the discount rate.

The immediate impact of the issue was a firming of T-bill rates and a general tightening of interbank money rates as liquidity was taken out of the system. Whether or not this signifies a change to higher interest rates, the bonds' listing on the Cairo stock exchange in August will be a benchmark in more senses than one. In the words of Hermes Financial's Aly el-Tahry: "It will put down a yield marker for Egyptian risk."

It will also clear the way for the development of a bond market. There has been only one free-standing bond issue in Cairo in recent times, a 70 million Egyptian pound issue for Victoria United Hotels, raised by NBE in March, which enabled corporate borrowers to make a commercial judgment between bank loans or the capital market. This could be a potentially lucrative business for banks, as bonds have tax advantages over loans: they also help lighten the balance sheet.

A.M.

THE EXCHANGE RATE QUESTION LOOMS LARGE

To devalue or not to devalue has been the question haunting the Cairo business community this past year — to the intense annoyance of the authorities, who have seen investment decisions deferred in consequence.

For a time, the question even complicated relations with the International Monetary Fund, which was widely reported to be in favor of the move.

Fences have been mended with the IMF and a proper perspective on the issue restored. But for Minister of State for International Cooperation Youssef Boutros Ghali, the exchange-rate question is a classic example of the way issues can be oversimplified and distorted. "The issue

is a set of policy measures of which the exchange rate is only one component. I can live with an undervalued, overvalued or a floating rate, depending on what I do with the rest of the system," he says.

The government resisted, however, and for the time being at least, appears to have won the argument. Interest rates have been kept at a steady 3 percent premium on dollar rates, and over the past year the Egyptian pound has been allowed to slip around 2 percent against the U.S. currency. In effect, a significant devaluation against most major European currencies and the Japanese yen. The preferred method of helping exporters, who have been

complaining about the uncompetitive exchange rate, is to tackle bureaucracy and regulatory obstacles while improving marketing quality control and management. Mr. Boutros Ghali maintains that "these are far more important than price competitiveness."

Egypt has established a stable equilibrium in its current account balance, backed by reserves of around \$17.5-18 billion — a comfortable 16 months of imports. "Capital can flow in and out; it is not used to finance the current account," says Mr. Boutros Ghali. Egypt was consequently untouched by the turmoil that Mexico's financial crash created last year.

A.M.



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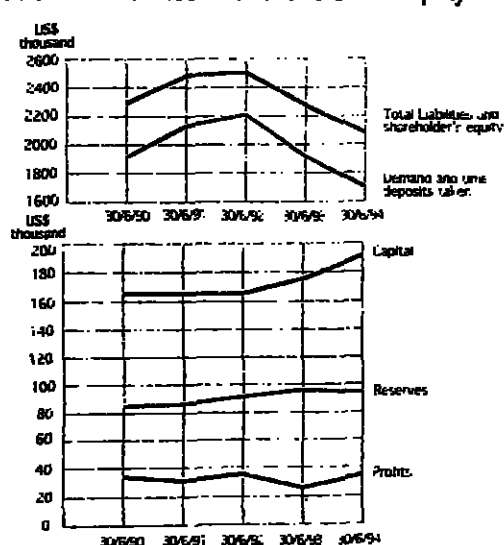


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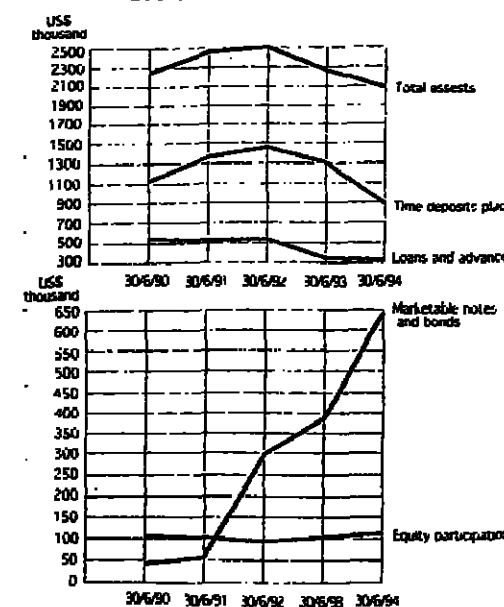
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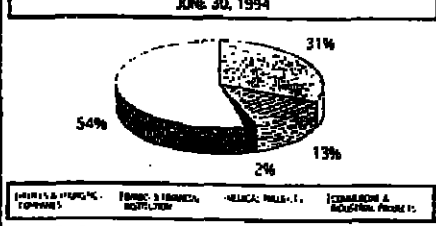
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ALEXANDRIA

Egypt

THE POWERHOUSE OF EGYPT HOLDS MILLIONS IN THRALL

The city attracts tourists, historians and literati.

Alexandria has always occupied a special place in the popular imagination by virtue of its associations with Alexander the Great and Anthony and Cleopatra. Its lighthouse was one of the seven wonders of the world, bespeaking Alexandria's status as one of the greatest cities in the world in the six centuries that straddle the birth of Christianity.

Little links ancient Alexandria with the modern city that flourished on the back of the cotton boom and the development of the port in the last century — both of which helped enrich the mythology. The city's free port status, established in Ottoman times and ended only in 1937, accentuated the cultural ambivalence inherent in the city's location — an isthmus with its back to Egypt, facing the Mediterranean. The idea of a free city was a theme that the Greek poet C.P. Cavafy, writing in the early part of the century, and Lawrence Durrell, before and during World War II, developed in their writings.

During World War II, Alexandria was the Allies' first defense against the advancing army of the Axis. Alamein, where the Allied Forces under Montgomery turned the tide in the Desert War, is a mere 80 kilometers (50 miles) west of Alexandria. Since the 1952 revolution and the centralization of power under Nasser, the city has been brought firmly within Egypt and into Cairo's ambit. The foreign community has largely

gone, and the municipality — the first to be formed in Egypt, exactly one hundred years ago — has lost its financial independence.

The city did benefit from Nasser's industrialization program: 40 percent of Egypt's industry, mainly food processing, textiles and refineries, is based in its hinterland. And it became the country's main summer recreation center, with more than 2 million Egyptians annually on its beaches.

Urban migration and greater prosperity in recent years have swelled the native population to 4 million, almost twice the 1976 census. But the city's commercial life — the community of bankers, brokers and shipping agents — was effectively destroyed. Today it has a few good restaurants and movie theaters, but no pretensions to emulate the nightlife of the capital.

Tourism and development It is because Alexandria is as much a state of mind as it is a place that its allure transcends this rather provincial setting. The authorities are beginning to take a greater interest in the city's history and its commercial potential. Excavations to find the site of Alexander's tomb have so far come to nothing, but one scheme, backed by UNESCO, is bearing fruit. This is a plan to build a new library to commemorate the Great Library burned down by Christians in 415.

Meanwhile, more practical schemes are being implemented. The beaches have



Alexandria's commercial district on the Mediterranean Sea.

been cleaned, and a new sewage treatment plant has been commissioned that eliminates the need to pump raw effluent into the Mediterranean. Although the city's transport facilities are adequate, plans for a subway system proceed apace. But a project to develop nearby Al-Amriyah into an international airport is bogged down.

Out of season, it is easy to

tour Alexandria. Indeed, the city so lovingly described by E.M. Forster in his "History and Guide" can be easily walked in a day.

And as for raising ghosts, an inhabitant of Durrell's city would still recognize a few old haunts: the Cecil Hotel and Pastroudis cafe, still a stone's throw from Darley's flat off Rue Nebi Daniel.

A.M.

SHIPPING AND COTTON INDUSTRIES REVIVING

Two traditional Alexandria industries are moving toward privatization and increasing international trade.

It is ironic that the two sectors most responsible for Alexandria's 19th-century renaissance — shipping and cotton — should still be in decline, both victims of the dead hand of state monopoly. In the case of shipping, the state has been reluctant to let go of a lucrative rent for doing nothing, and the shipping agency business is thus likely to be one of the last to be handed back to the private sector.

Shipping agents take the long view. Shipowners would rather pay twice over, passing the cost on to the consumer, to ensure they have a man in port looking after their interests. Says Admiral Saad Ragab, vice chairman of Worms Alexandria Cargo Services, "I'm in no hurry. I'm well established with the shipowners, and they pay me well."

Nevertheless, private shipping agencies are positioning themselves in anticipation of privatization. "There has been a gradual transfer of activities to the private sector, mainly in marketing, which is something the state can't do," says Mr. Ragab.

The shipping industry is changing with the development of containerization and the advent of computerized systems. These will all result in cheaper and quicker service, which will largely be provided by agents based in Alexandria and Port Said. Alexandria will remain Egypt's principal port. It has been extensively redeveloped with container facilities in the past 15 years, and the deepwater port of Dikhalia has been added. Total capacity of the two is 35 million tons per year.

In some ways, the future lies in Damietta. This will be Egypt's transshipment port, where mother ships will discharge to feeder ships that will serve smaller ports in the region. Worms has already established a computerized document handling system with a Japanese line, Nippon Yusen Kaisha, for transshipping supplies through Damietta.

Cotton market opens

The government has taken an important step to revive the cotton industry by freeing cotton prices and clearing the way to reopen the Alexandria Cotton Exchange. But the industry is still in hiatus as the authorities make some far-reaching decisions on whether an expanded cotton growing industry should be sold to the

domestic market or abroad. According to Ahmed Shoman, chairman of the state-owned Cotton and International Trade Co., who helped draft the law freeing cotton prices, the aim is to restore cotton's competitive position internationally and regain lost markets. To this end, export prices are being brought more in line with world levels and announced in September each year, and a suitable amount of the harvest is being conserved for export according to the level of local demand.

This strategy helped put Egypt's famed Extra Long Staple (ELS) cotton back on the map last year. Old customers driven away by uncompetitive prices returned, including Hong Kong, India, Indonesia and Taiwan, and new ones, in the shape of Bangladesh, Morocco, Pakistan, Singapore and South Africa, were found. The current rethink about the cotton industry goes deeper than simply reviving exports. Some believe Egypt should be developing downstream industries for its ELS cotton and exporting it as cloth and garments. While this policy review is in progress, President Hosni Mubarak has ordered a ban on cotton imports, which have grown substantially over the years as Egypt's own cotton growing industry has declined.

Clearly the priority must be to improve cotton yields and yarn quality, focusing on growing the premium ELS. These improvements, together with market prices, will produce the margins that will make cotton growing attractive and increase the area under cultivation. Until the present hiatus is resolved, however, production rises, satisfying both the domestic market and exporters is going to be hard. Production in 1994-95 fell 40 percent, to a forecast 4.9 million kantars (245 million kilograms) due to bad weather conditions and a boll worm infestation. A measure of how far cotton has declined as an export earner can be gauged by the fact that in 1993-94 — a bumper season — 2.3 million kantars were exported, less than a third of export levels in the early 1960s. In 1994-95, exports are expected to be no more than 1.3 million kantars.

A.M.

A.M.

ALEXANDRIA'S DECENTRALIZATION UNDER WAY

Poised on the brink of economic take-off, Egypt needs to explore that "free city of ideas" that was Alexandria before the 1952 revolution, drawing on the city's past experience of independent municipal government to galvanize the private sector into economic development.

Since the 1952 revolution, Alexandria, like the rest of the country, has answered to Cairo. The central government still dispenses regional funding, but the regional authorities are beginning to have discretionary powers.

A leading businessman and local MP, Ahmed Khairi, estimates that most governorates have discretion over around 50 percent of their budgets, but Alexandria has always had more

leeway and been able to carve out a small measure of independence from Cairo. Furthermore, its private sector has the elements, history, exposure to the outside world and practical experience to make decentralization work.

Powerful voice

For a start, the city has not lost its business identity. The Chamber of Commerce, which operates on the French system that requires all businesses to register, has issued more than 400,000 licenses. The Alexandria Businessmen's Association (ABA) is a powerful and effective voice in city and national affairs. The opening of a branch of the American Chamber of Commerce in

Egypt, in the premises recently vacated by the American Consulate, will add another voice to Alexandria's business community.

The ABA is used to taking an independent line. It refused to channel help to victims of last November's flooding in Upper Egypt through the authorities and instead built them a village for 3,000 itself.

Another example of ABA providing a practical model for the rest of the country is its hugely successful Small and Micro Enterprise project started with U.S. AID in 1989. The purpose of the project, to which U.S. AID is contributing \$10 million, is principally to create jobs. If each of the 1.2 million enterprises employing 10 or

fewer people in Egypt could create one extra job, the back of the unemployment problem would be broken.

The approach is to provide working capital of up to 25,000 Egyptian pounds (\$7357) at commercial rates to small enterprises that would otherwise be constrained from growing by the extortionate rates charged by loan sharks for supplier credit and wholesalers who exploit their need to generate cash flow. The scheme also introduces these enterprises to banks and provides the necessary training in costing, book-keeping and accounting to help them integrate into the formal economy.

According to executive director Nabil el-Shami, the

beauty of the scheme is its simplicity. The bigger the loan, the greater the commitment to first register employees for social security, pay taxes and finally draw up a balance sheet.

"We use the amount [we lend] as a book to transfer the enterprise from the informal to the formal economy. But it is left to the individual to decide whether he wants to increase the loan. We never stop providing loans," he says. Pro rata, the scheme has increased production in these enterprises by 47 percent, employment by 25 percent and workers' wages by 26.4 percent. The operational costs, at 8 cents to the dollar, are the lowest of any such scheme in the world, almost half those of similar schemes in Latin America. Only \$700,000 of the \$2 million allocated was needed to start the scheme.

U.S. AID has agreed to open three more programs: in Port Said, Assiut and Kaf el-Shaikh, in addition to those already operating in Alexandria and Cairo. ABA will run the Kaf el-Shaikh program and provide technical assistance to the others, including Cairo. El-Shami attributes ABA's success to the fact that it has been run entirely by people from the private sector.

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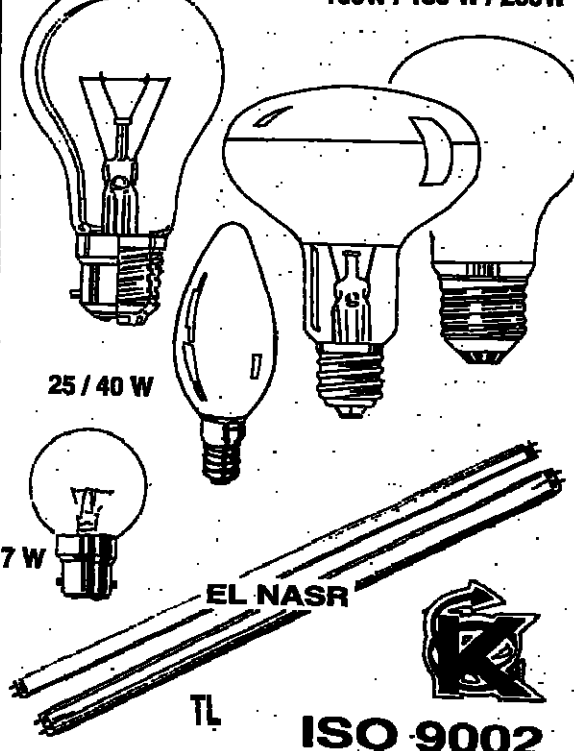
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Egypt

PRODUCING FOR GLOBAL MARKETS

In both local and international markets, Alexandria feels at home with competitive business.

The Alexandrian entrepreneur thinks strategically and is not someone out for a quick buck, says Ahmed Khairy, the local MP who made his fortune in shipping and transport and has since moved into farming and other activities. "A businessman is someone who creates something," he contends. "I don't consider someone who imports and exports a businessman; he is a trader."

Perhaps because Alexandria has been on the periphery of Egypt's political life since the 1952 revolution, the business community has had to think in the longer term, toward export markets, particularly in Europe.

Ahmed Khairy himself was on a plane to Israel hours after the normalization of relations in 1980 to revive shipping links with the Alexandrian Jewish community there. He is promoting a \$950 million refinery in Alexandria, the biggest private venture with Israel.

Ali Soliman is another Alexandrian who was "ready to think two years down the road" when he bought out Wilkinson Sword's 51 percent stake in its joint venture with Alexandria Metal Products Company (AMPC) in 1981. The razor plant was losing around \$2 million a year at the time. But Mr. Soliman,

who had become the company's distributor a few months before Wilkinson withdrew, concluded it was poor marketing, not the product, that brought the venture down.

Within a year, the operation was in the black, and it has been ever since. Lord Precision Industries, as the venture was restyled, has sextupled capacity to 1 billion blades a year and now has 90 percent of the local double-edged and 50 percent of the metal strip market, yet still derives half its \$14 million turnover from exports to 37 countries worldwide. A free zone company, Lord International,

has been established and produces 120 million disposable razors a year for the United States and NAFTA markets and boasts sales of \$7 million a year.

Managing Director Lotfy Sherbiny believes Lord is unique in Egypt in attempting this kind of precision engineering.

Global economy

Like a number of Alexandrian businesspeople, Lotfy Seefin believes the future lies in joining the global economy. He runs Philips in Egypt; the company is now renamed El Nasr Electric & Electronic Apparatus Co. Unusually, Philips was al-



Employees at work for Lord International (left) and Philips (right).

lowed to keep a 50 percent stake in the company at the time of nationalization in the early 1960s. Now the company is being restructured before privatization. Mr. Seefin wants Philips to raise its stake and upgrade his op-



eration from a product to a producer center, effectively plugging it into the Dutch multinational's global supply, production and distribution nexus.

He has done this by having the company certified

for ISO 9002 by the same Dutch company that certifies Philips in the Netherlands. Since receiving certification just over a year ago, the company's exports have tripled. ISO 9002 has the further advantage, Mr. Seefin maintains, of allowing for a continuous improvement in productivity.

Mr. Seefin intends to promote exports of lighting equipment, believing that its high labor intensity gives him a competitive advantage the audiovisual equipment and electrical white goods side of the business lacks. He is looking to exports to provide economies of scale that will enable him to expand the production range.

Another Alexandrian entrepreneur looking to ex-

ports to secure his future is Ahmed Sid Ahmed, whose family owns Amreya Metal Co., Egypt's only private sector metal castings company. It is a venture that is perhaps a little before its time, but Mr. Sid Ahmed has more local orders than he can handle, and they are profitable. He supplies Peugeot's auto assembly plant and the spare part market. He, too, is applying for ISO 9000 certification.

Local orders are too small to develop true economies of scale, so he has his eye on Western Europe. He believes that on long production runs he can compete with the prices offered by East European, Indian and Chinese manufacturers. A.M.

JOINT VENTURE TAKES A RISK

Chemical companies have financial, natural resources.

If all Egyptian public sector companies started life on the same footing as the Abu Qir Fertilizers and Chemical Industries Company, backed by suitable technology and unshackled from the usual social and political constraints that dog state enterprises, there would be fewer basket cases. But the trick is also to build the business, and this company has succeeded in giving the country a needed commodity at competitive prices.

The company was formed in 1975 to exploit a large gas deposit discovered in Abu Qir bay some 20 kilometers (12 miles) west of Alexandria. Its goal was to use nearby gas as a feedstock to produce nitrogenous fertilizer for the agricultural sector. Financing, including some aid from Germany, was not difficult to find. Two German companies, Uhde and Mannesmann, were contracted to build a urea plant (Abu Qir I), which was commissioned in 1979. An ammonium nitrate plant (Abu Qir II) was added in 1991. Abu Qir I & II currently produce 1.2 million tons per year between them, about 60 percent of Egypt's nitrogenous fertilizer needs, and generate sales of 500 million Egyptian pounds (\$147.1 million).

There are plans for a second urea plant (Abu Qir III), which will make Egypt self-sufficient in nitrogenous fertilizers by the year 2000. The \$300 million needed is being raised by the company and its shareholders: a mix of banks, insurance companies, the Kima Fertilizer Company, the Petroleum Authority and private individuals. The company was privatized in 1990.

According to chairman Osama el-Ganainy, it will be the first project of its size in the region to be self-financing. Bids from Japanese and American companies, as well as from Mannesmann and Uhde, are being studied.

Stock market debut

The seeds of the recent spectacular stock market debut of Alexandria Pharmaceuticals Co. were sown by Dr. Hassan Abbas Helmy, president of the Pharmaceutical Association of Alexandria and doyen of the local industry. Dr. Helmy and his colleagues built the company up over 15 years before he branched out into the private sector in 1978. In 1987, he established Pharco Pharmaceuticals, based in Amreya.

Dr. Helmy's claim to fame is to have introduced the soft gelatin capsule into Egypt - the product of a 30-year-plus association with U.S. pharmacist R.P. Scherer, who pioneered these capsules in the United States. R.P. Scherer Egypt, a joint venture between R.P. Scherer Corp., Pharco and Helmy, opened for business in Bourg el Arab New City in 1993 and now provides all Egypt's capsule requirements, turning over 40 million Egyptian pounds a year. Dr. Helmy is a great advocate of applied technology. When he set up Pharco, he opted for installing and improving a new and relatively

untested technology rather than waiting.

"It needed courage to take the risk," he says. It also required faith in the technology and the ability of his team to make it work. The experience has ensured that he keep abreast of technological developments and maintain the highest quality controls.

Collaboration with Scherer has produced a highly successful solvent-free gelatin capsule and has been fruitful in making coatings that improve the performance of pharmaceuticals - a niche market that Pharco is developing. Now there are plans to establish a second joint venture, Pharco B International, with another U.S. pharmaceutical group. This joint venture will also be located in Bourg el Arab, close to the Scherer plant.

Until now, Pharco has concentrated on the domestic market, but a major thrust overseas is planned that should raise exports from 10 percent of turnover (currently 110 million Egyptian pounds) to 50 percent. Pharco exports to 17 countries in the Middle East and sub-Saharan Africa, is seeking registration in a further 13 and has established agencies in Romania and Uruguay to develop the East European and South American markets. A.M.



The Abu Qir Fertilizers and Chemical Industries Company plant.

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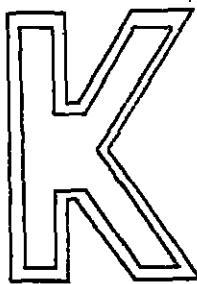
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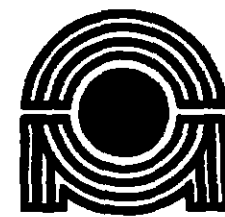
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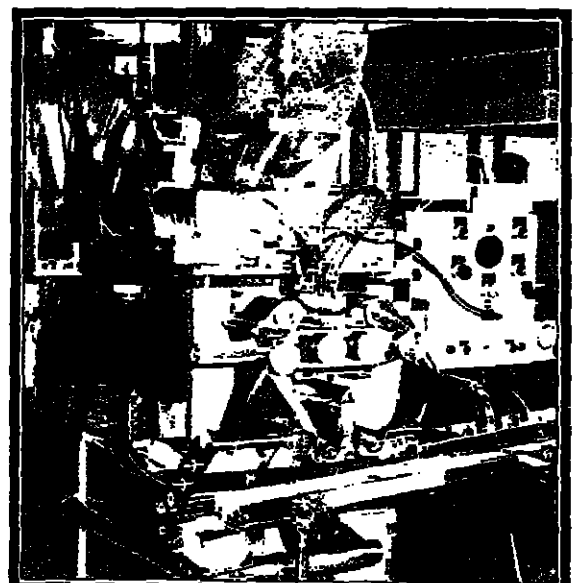
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Egypt attracts 2 million to 3 million tourists a year. "That's nothing, it should be 10 million," says Sakkarah Hotels Chairman Mounir Ghabbour. His optimism reflects new hopes for an industry that in just three years has gone from being a crucial revenue earner for Egypt to being a prime victim of political instability.

Mr. Ghabbour acknowledges the adverse impact of political violence on the industry. "We had up to 3 million visitors annually before the terrorism," he says, "then in 1994, it was only 2 million, but 1995 is improving, and the figures could reach 3 million."

He points out that private investment in the sector over the past five years has reached \$2 billion and that the same could be achieved over the next five years. Egypt already has facilities for 5 million visitors annually, and new areas are being opened on the Red and Mediterranean Seas. Oasis tours, safaris and rallies are also being developed.

Government efforts to promote Egypt as a conference venue are enhanced by facilities like the Cairo International Conference Center (CICC). The CICC offers 58,000 square meters (69,000 square yards) of conference facilities on a 30-hectare (74-acre) site and is a 10-minute walk from the Cairo Stadium and the Cairo International Exhibition grounds. With the recent United Nations conferences on development and on crime, it proved that it can handle the largest international events. Considering all this, it is not surprising that Mr. Ghabbour sees a bright future.

The best of everything He insists that there is every reason for tourism to grow. "We have the best antiquities in the world, a growing number of resorts, the best climate and educated people who speak English and French as well as Arabic. And Egyptians are by nature hospitable," he says.

Egypt is also very competitive price-wise. Five-star hotel rooms cost as little as \$80 a night, and overall

costs for a holiday are around half those of a holiday in Greece.

"Middle East Riviera" Mr. Ghabbour's confidence is shared by Victoria United Hotel's chairman, Hussein Salem, whose eyes - and investments - are fixed on Sharm El Sheikh, one of Egypt's fastest-growing resort areas. The Sinai peninsula has been unmarked by the political violence seen elsewhere in Egypt, and its hotels are crowded year-round, particularly with European tourists, many of whom bypass Cairo and fly directly to Sinai.

"Sharm El Sheikh, Da-

Bay area in the past six years, including \$34 million on a Moevenpick Hotel-Jolie Ville and \$15 million on a water desalination plant. In addition, \$30 million is planned for the South Sinai Golf and Country Club.

The Moevenpick complex contains not just the traditional resort facilities such as a health club, pools and a diving center, but also has its own sewerage treatment plant whose recycled water is used for the hotel's extensive gardens.

Mr. Salem's second major investment is the South Sinai Water Company. This company runs the desalination plant; it is also the first private water venture in Egypt in the last 75 years.

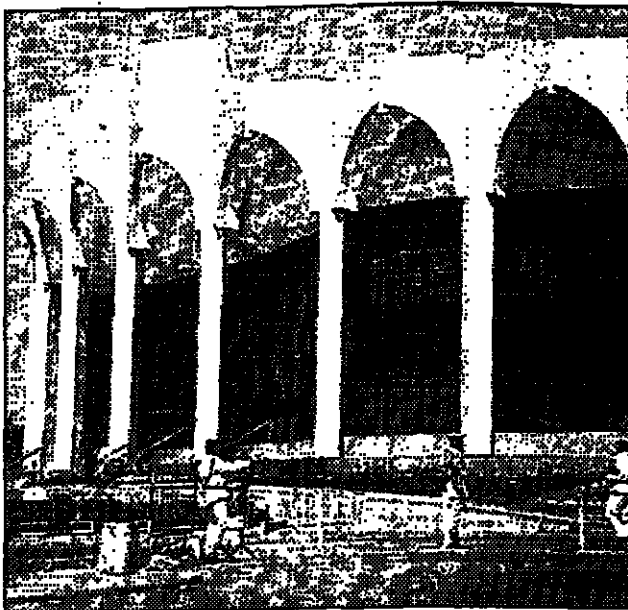
In its first stage, the South Sinai Water Company is providing 3,000 cubic meters of fresh water daily to the Naama Bay area. A second stage will extend to the rest of Sharm El Sheikh and will also use treated wastewater for gardens. Finally, stage three will push production to 6,000 cubic meters per day.

Mr. Salem sees the region as charting new paths not just for the tourist industry but also for Egypt's economy overall. "This is the beginning of a 'tiger' of the Far East type of growth; it is starting here," he says, citing a per capita income of \$3,000 in Sharm El Sheikh, compared with \$600 for Egypt generally.

Back in Cairo, Mr. Ghabbour is supporting his words with action. Within two years, he will have completed an 18-hole golf course and health-farm complex close to his existing Sonesta Cairo hotel, a Red Sea coast resort that includes a five-star hotel, a marina in Luxor to service cruise boats and possibly a second golf course.

"Nothing can make us hesitate now," said Ghabbour. "Within 10 years, Egypt will be a pearl of world tourism."

Pamela Dougherty



The Cairo International Convention Center (left) was the site of two recent United Nations conferences; a dive boat (right) cruises along the Sinai Peninsula.



SINAI PENINSULA: MUCH MORE THAN BEACHES

Between two gulfs lies a paradise of natural life on land and under water - plus water sports, historical monuments and a Bedouin desert.

At the southernmost tip of the Sinai Peninsula sits the Ras Muhammad National Park. Flanked on the east by the Gulf of Aqaba and on the west by the Gulf of Suez, its paths lead visitors to superb beaches, inlets and sea views.

Visitors are also welcome to explore the stunning coral reefs that border the park, but access is strictly controlled, and tourist developments can be established only outside its confines.

The establishment of the

park came in 1983, just as tourism development was getting under way along the Gulf of Aqaba. It now offers the best hope of survival both for one of the world's premier coral reefs and for the vibrant tourist industry that it has inspired, for whatever else south Sinai has to offer, it is the clear, warm waters of the Gulf that bring in the tourists. Hotels offer everything available in the way of water sports.

Central to all resorts are snorkeling and scuba diving.

The Gulf of Aqaba contains a natural life that is as rich as a tropical rain forest, with 150 different species of coral and thousands of species of brilliantly colored fish.

Many visitors choose the area just for the diving, and numerous diving centers offer courses at all levels. At the same time, sailing, wind surfing, waterskiing, day and night trips to the underwater observatory at Ras Muhammad, water polo and just plain swimming are all, of course, provided for.

The Ras Muhammad park is also being extended farther inland to protect a desert environment that is home to a very special Bedouin culture and to a natural life that includes desert foxes, hyenas, gazelles, and dozens of bird varieties, as well as oases and historical sites.

Horseback riding, safaris, camel rides and mangrove picnics have been added to traditional visits to St. Catherine's, a Christian monastery whose earliest construction dates to the

year 330 and which houses a rich collection of icons and precious manuscripts.

As the choice of activities expands, so do efforts to preserve the region. All guides and boats working in the Ras Muhammad area must be licensed, and environmentalists are now seeking similar controls for tour guides and drivers.

Environmentalists also hope general standards will be developed to regulate the care of the environment.

P.D.

WOMEN HOLD POWER IN KEY PUBLIC POSITIONS

Government and academia benefit from the strong presence of women, in a tradition that is now entering its seventh decade.

In Parliament, in government ministries and in academia, Egypt's women are determined to lead their country into the 21st century, not just to follow where Egypt's men take it.

They are the heirs of a solid tradition of women's involvement in public life. Egyptian women were active in the 1920s in the struggle both for national independence and for women's rights. The 1952 revolution encouraged women's education and participation in public life.

The results have been impressive. Today, over 50 percent of the staff at Cairo University is made up of women, and Egypt's Petroleum Research Institute counts 38 women Ph.D.s on its staff. Minister of State for Scientific Research Venus Kamel Gouda has been known to roll up her sleeves and go out to offshore Gulf rigs in her work as a metal corrosion specialist.

In recent years, however, says economist Heba Handoussa, both fundamentalism and government-led economic restructuring have threatened to undermine the gains of the past 60 years. Managing director for the Cairo-based Economic Research Forum for the Arab

Countries, Iran and Turkey. Ms. Handoussa says that her own determination to work for women's rights has been sharpened by the growth of fundamentalism. But, she added, it is government efforts to liberalize the Egyptian economy that have affected women most directly.

From 1975 to 1986, the public sector hired 130,000 graduates annually, 51 percent of whom were women. Now the number is down to 30,000 graduates. Nevertheless, there are some positive developments. Egyptian families are placing a high priority on health care, and infant mortality rates and population growth are both slowing. These changes benefit women in the long term. But poverty is affecting access to education.

Families have an improved attitude about sending their children to school, says Ms. Handoussa, but the poor have to choose between educating their children and sending them out to work. Figures show that fewer girls are going to primary school.

Representing the other end of the education scale, Ms. Gouda says she was surprised by her appointment to the cabinet, and now she is determined to use her



Left to right: Mona Makram Obeid, Heba Handoussa and Venus Kamel Gouda.



position to promote Egypt's economic development by maximizing the contribution of the country's scientific community. "In Egypt, science and technology have not proved what they can do. Now we need short-term, medium-term and long-term strategies to be incorporated into all domains." In the process, Ms. Gouda will keep the progress of women in mind.

"I believe a woman has to work much more to get her rights, to prove herself, and if there are two people for a job and they are equal I take the woman because she needs to be encouraged. Men still dominate women," she continues, "and often don't encourage them to achieve. I want to prove that they are capable."

In her role as a Member of

Parliament, Mona Makram Obeid likes to tackle everything from foreign relations to the budget.

She is convinced that educational reform is the key to solving many of Egypt's problems, including those of women's literacy and working opportunities. She is now working with a group of businesspeople, politicians, artists and writers to set up a foundation that will support education in poor areas.

She denies having a role as spokesperson for women within Parliament itself, but says, "I think I have a responsibility to sensitize the other members to gender issues, to show them how issues such as structural adjustment affect women first."

In her career, Ms. Obeid

has faced her own struggle against tradition. She grew up in the home of her uncle, Makram Obeid, a leading political figure of the 1920s. When she announced her intention to follow in his footsteps, her family's response was, "We don't have have women in politics." With the support of an 83-year-old aunt, she persisted, ran for election twice and was finally appointed to her seat by Egyptian President Hosni Mubarak.

After five years in Parliament, she loves the job and wants to continue. She is confident that Egypt is progressing against all the odds and, like Venus Kamel Gouda and Heba Handoussa, she is determined to go on playing her part in Egypt's public life.

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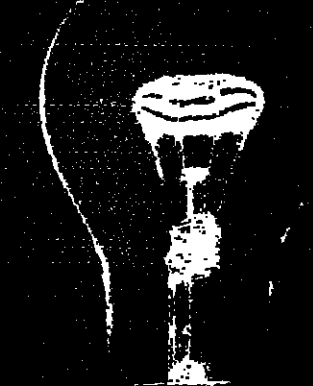
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SPORTS

As Another French Open Begins, There's Bruguera, Lurking in the Wings

By Christopher Clarey
Special to the Herald Tribune

PARIS — Some little boys looking for tennis heroes in the late 1970s preferred the fiery personality and flat strokes of Jimmy Connors; some the swarthy charm of Guillermo Vilas; others the trash attacking game of the young John McEnroe.

Sergi Bruguera, not yet 10 years old, cast his lot with Bjorn Borg. Bruguera admired the Swede's unflappable temperament and his patience and cunning from the baseline. Above all, he admired him because Borg was the person dominating the tournament that was on Bruguera's television screen in late May and early June.

Forget Borg's five consecutive Wimble-

don victories on grass. What mattered to the skinny only child of a tennis coach were those six French Open titles on red clay, including four straight from 1978 to 1981.

Clay, after all, was the only surface Bruguera grew up with: first in Valencia, where he lived on the grounds of the club run by his father, Luis; and then in Barcelona, where Luis returned in 1980. Clay — crushed red brick, to be precise — was the substance that stained Sergi's shoes, climbed up his socks and got under his skin. And when, in his early teens, he made his first trip to Stade Roland Garros, he stood below the bullring-shaped Court 1 and stared up at the names of the former champions etched into the cement.

There was Manuel Santana, the first Spaniard to win the French, in 1961, and

then in 1964. And Andres Gimeno, his father's golfing buddy, who won for Spain again in 1972. Most of all, there was Borg.

"I was thinking I would like to have my name up there, too," Bruguera said.

He would get his wish, but despite two consecutive victories, he is still staring up at Borg. Nine men have won back-to-back French championships. Only Borg was able to push the envelope further.

For the next two weeks, it is Bruguera's turn to try. At age 24, he is certainly one of the favorites at the tournament French and Spaniards both refer to as "Roland Garros." The surprising thing is that he is not the favorite, but then Bruguera and circumstance have a way of conspiring to deflect attention in other directions.

Exuberant and friendly in private, Bru-

guera's public persona is about as bland as an éclair without chocolate. On tour, he has learned to rein in a temper that caused him considerable trouble as a junior, and though he can be all Latin fire and brimstone on the practice court, he is more Swede than Spaniard in temperament once inside a stadium.

In 1993, when he won here the first time, the focus during the tournament was on world No. 1 Jim Courier, who looked certain to sweep to his third straight title. Bruguera snuffed out those hopes in a grueling and memorable five-set final in which he showed no signs of stage fright.

For Manuel Orantes, the former U.S. Open champion who is a close friend of the family, what separates Bruguera from the pack is his taste for risk: a trait that also

bubbles up in his private life, where he has tried everything from shooting rapids to marlin fishing to bungee-cord jumping.

He is not an orthodox guy who follows the rules; he likes to bend them. Orantes said, "Normally he will go for the most difficult and unexpected shot in the book, especially in a very tight position on passing shots."

But despite that talent, despite his heavy forehand, improving serve and remarkable capacity to cover court, Bruguera remains less than the talk of the town in the city of light and obnoxious drivers. A year ago, he arrived seeded sixth, having not won a tournament all spring, and quietly went to work as the tennis community focused on Pete Sampras. Bruguera ended up losing one set in seven matches.

This year, he is seeded seventh, having missed nearly two months with a sprained left knee. Again the focus is elsewhere: on Andre Agassi and on Thomas Muster, who has yet to lose on clay this season.

But Agassi, wiped out by Bruguera in Hamburg earlier this month, and every other player in the draw are well aware of the Spaniard's gathering strength. In his last three tournaments, he reached the quarterfinals, the semifinals and then, in Rome two weeks ago, the final. His knee is bothering him little and his confidence, never his soft spot on clay, is growing.

"My preparation is completely different. But I think I'm much better off than I thought I would be at this point."

Borg is waiting.

SCOREBOARD

Major League Standings

AMERICAN LEAGUE

East Division

	W	L	Pct.	GB
Boston	14	15	.483	—
Toronto	12	16	.429	3 1/2
Baltimore	12	16	.429	3 1/2

Central Division

	W	L	Pct.	GB
Cleveland	17	9	.654	—
Kansas City	13	14	.481	4 1/2
Minnesota	13	14	.481	4 1/2

West Division

	W	L	Pct.	GB
California	18	11	.619	—
Oakland	17	12	.586	1 1/2
Seattle	17	12	.586	1 1/2

NATIONAL LEAGUE

East Division

	W	L	Pct.	GB
Philadelphia	21	7	.750	—
Atlanta	17	11	.607	4 1/2
Montreal	17	11	.607	4 1/2

Central Division

	W	L	Pct.	GB
Chicago	18	10	.643	—
Cincinnati	17	11	.607	1 1/2
Pittsburgh	17	11	.607	1 1/2

West Division

	W	L	Pct.	GB
Colorado	15	14	.517	—
San Francisco	15	14	.517	—
Los Angeles	13	16	.448	5 1/2

Friday's Line Scores

AMERICAN LEAGUE

East Division

	W	L	Pct.	GB
Texas	301	61	.830	—
Minnesota	282	80	.778	13 1/2
Toronto	275	87	.759	20 1/2

Central Division

	W	L	Pct.	GB
Chicago	218	97	.692	—
Minnesota	200	115	.636	18 1/2
Seattle	197	118	.626	21 1/2

West Division

	W	L	Pct.	GB
California	200	100	.667	—
Oakland	190	110	.633	10 1/2
Seattle	187	113	.623	13 1/2

NATIONAL LEAGUE

East Division

	W	L	Pct.	GB
Philadelphia	200	100	.667	—
Atlanta	190	110	.633	10 1/2
Montreal	187	113	.623	13 1/2

Central Division

	W	L	Pct.	GB
Chicago	200	100	.667	—
Cincinnati	190	110	.633	10 1/2
Pittsburgh	187	113	.623	13 1/2

West Division

	W	L	Pct.	GB
Colorado	190	110	.633	—
San Francisco	187	113	.623	13 1/2
Los Angeles	180	120	.600	20 1/2

Saturday's Line Scores

AMERICAN LEAGUE

East Division

	W	L	Pct.	GB
Texas	301	61	.830	—
Minnesota	282	80	.778	13 1/2
Toronto	275	87	.759	20 1/2

Central Division

	W	L	Pct.	GB
Chicago	218	97	.692	—
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	W	L	Pct.	GB
Chicago	200	100	.667	—
Cincinnati	190	110	.633	10 1/2
Pittsburgh	187	113	.623	13 1/2

West Division

	W	L	Pct.	GB
Colorado	190	110	.633	—
San Francisco	187	113	.623	13 1/2
Los Angeles	180	120	.600	20 1/2

Sunday's Line Scores

AMERICAN LEAGUE

East Division

	W	L	Pct.	GB
Texas	301	61	.830	—
Minnesota	282	80	.778	13 1/2
Toronto	275	87	.759	20 1/2

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Colorado	190	110	.633	—
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Los Angeles	180	120	.600	20 1/2

Monday's Line Scores

AMERICAN LEAGUE

East Division

	W	L	Pct.	GB
Texas	301	61	.830	—
Minnesota	282	80	.778	13 1/2
Toronto	275	87	.759	20 1/2

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Chicago	218	97	.692	—
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Seattle	197	118	.626	21 1/2

West Division

	W	L	Pct.	GB
California	200	100	.667	—
Oakland	190	110	.633	10 1/2
Seattle	187	113	.623	13 1/2

Tuesday's Line Scores

AMERICAN LEAGUE

East Division

	W	L	Pct.	GB
Texas	301	61	.830	—
Minnesota	282	80	.778	13 1/2
Toronto	275	87	.759	20 1/2

Saturday's Line Scores

AMERICAN LEAGUE

East Division

	W	L	Pct.	GB
Texas	301	61	.830	—
Minnesota	282	80	.778	13 1/2
Toronto	275	87	.759	20 1/2

Central Division

	W	L	Pct.	GB
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Colorado	190	110	.633	—
San Francisco	187	113	.623	13 1/2
Los Angeles	180	120	.600	20 1/2

Sunday's Line Scores

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Pittsburgh	187	113	.623	13 1/2

West Division

	W	L	Pct.	GB
Colorado	190	110	.633	—
San Francisco	187	113	.623	13 1/2
Los Angeles	180	120	.600	20 1/2

Monday's Line Scores

Centrist
Regional P

Japan: Inflated Hope Schumacher Easily Wins Again, With Hill 2d in Monaco

And the Welsh Leak

By Ian Thomsen
International Herald Tribune

BLOEMFONTEIN, South Africa — The score was 57-10. Over the last four years the Japanese had been able to convince themselves that they had overcome their shortcomings and their tragedies. They had very little going for them in this game, but they were going to do what they could and do it better than the bigger and stronger teams with more experience.

There was talk of how the high, thin air and the hard South African grounds would help the quicker team. At the very least, they were not going to be overmatched any longer.

Then, on Saturday, it was Wales 57, Japan 10. "Probably what misled us from the beginning was our win against Romania," said Shiggy Konno, the wise man of Japanese rugby, noting his team's 34-21 victory over Romania before the World Cup. "After that game we thought we had some chances. Yes, we are disappointed, but there are two games left."

Those two, against Ireland and New Zealand, figure to be even harder. They believed they could upend Wales, which was winless in the Five Nations Championship and had changed management just two months ago with no warm-up matches before this tournament. The Japanese should not be criticized for their assumptions. The disaster of the outcome is, in fact, proof of their spirit.

The leading club in Japanese rugby for the last seven years has been Kobe Steel. It is the home club for all but two of the Japanese backs. Last year, neighbors and friends ran to the home of the Japanese vice captain, fly-half Seiji Hirao, to pull his wife from the rubble of the earthquake that killed 5,000 people and left 300,000 homeless. None of the players or their families were injured, but that didn't absolve them of misery.

"The disaster of the earthquake was much bigger than if you looked at it on TV," Konno said. "If you would go to see it yourself, you would be surprised. It did affect our team somewhat. The Kobe Steel ground was in shambles and they couldn't use this ground for practice."

He turned and spoke momentarily to Hirao in Japanese. "They still can't use their ground," Konno said. "There was a lot of damage to the dormitories. Many of the players' relatives needed assistance. It was quite an emotional thing in a way that perhaps doesn't show up on TV or in the newspapers."

And yet it was not the ready excuse that it would have been, and rightly so, for so many other teams or countries. Neither is it true that the players are so celebrated and rich as to be shielded away from such trauma. The game has only just begun to attract major sponsors in Japan. The rugby players are generally not idols. They can't practice whenever they want, having to share most of the playing fields with teams in other sports. Professional baseball

and soccer burst ahead in popularity after rugby had lain dormant during World War II. The larger Japanese athletes, the ones who would have helped against Wales, are lured by the money and prestige of sumo wrestling; no doubt basketball is growing in eminence.

Rugby is based largely in the universities, where it is played in the original, amateur spirit. It was introduced by the British more than a century ago. Even now, at the height of Japan's economic power, the modern realities of travel are unkind: The country is out of the way for teams touring Australia or New Zealand.

So the players are too small, the country is isolated geographically and lacking in facilities, the earthquake decimated the sport's nerve center... and still the Japanese believed they could win. In the meantime, Wales was sending out its biggest, strongest team.

The Welsh were piercing the right flank from the opening minutes. It was 3-0, 6-0. The Japanese kicker Tsurumi Masahito, from Kobe, was missing two penalties of his own. 9-0. A loose ball that the 1.58-meter scrumhalf Masami Horikoshi failed to kick out of touch, and Andy Moore fell on it for the first try: 16-0. Moore's strength and power had won him selection ahead of the world-renowned scrumhalf Robert Jones.

There would be four more Welsh tries before the Japanese could respond. They were dying in the lineouts, which were seized by Wales' tallest player ever, the 2.12-meter Derwyn Jones, a policeman. The tallest Japanese was the 1.93-meter lock Bruce Ferguson, who was recruited from Fiji.

"In set play we won 20 lineouts," they won 13, so we're ahead already," said the sympathetic Wales coach, Alex Evans, who had worked as a consultant for Kobe Steel as recently as 1992. "Then Japan tried to run the ball, and certainly with ball in hand they were very good, but they also turned the ball over quite a bit, which gave us the advantage in set plays — it was like they were behind all the time, trying to play catch-up rugby."

It would be 36-0 at the half. It would be 43-0 when, with less than a quarter remaining, the crowd of more than 20,000 would light up for the first time. Lopeti Oto, one of the team's three large Tongans, flopped over with the first try for Japan.

He scored one more, on the final play. The crowd made a happy, Charlie Chaplin roar and got up to leave. The Welsh, buoyed by such easy success, immediately began talking about upsetting New Zealand on Wednesday. They congratulated 20-year-old Gareth Thomas, scorer of three tries in what was his — as well as Moore's — first international. The Japanese, meanwhile, glanced back at the scoreboard as if it were their own wrecked bus. 57-10.

Konno thought about all of this and said, "I think we did do better in the second half."

After all, there are two games left.



David Coulthard's Williams-Renault took flight from a first-turn crash with the Ferraris of Jean Alesi and Gerhard Berger.

Langer Tied For Lead in British PGA

WENTWORTH, England — Bernhard Langer bogeyed the last hole Sunday after a wild second shot and dropped back into a share of the third-round lead in the British PGA Championship. Sunday.

His 4-under-par 68 on Wentworth's West Course left him tied with Mark Mouland of Wales heading into Monday's final round. Mouland carded a day's best 65 to match Langer at 208.

Per-Ulrik Johansson of Sweden stormed into contention with birdies on the last four holes for a 69 that put him at 209 and tied with Andrew Sherborne of England, who shot 72.

Nick Faldo and José María Camizares, playing partners for the day, were on 6 under after matching rounds of 71.

Langer, who set a record on Friday by surviving the halfway cut for the 57th successive European Tour event, played a solid round until blocked his second shot at the 501-yard closing hole and the ball struck a tree, then landed under a rhododendron bush.

With little backswing, he could only chip into rough. His pitch from 55 yards finished seven feet from the hole and he missed the putt.

World Cup Notebook: Danaher Replacing Staples for Irish

Former Irish captain Philip Danaher will replace injured fullback Jim Staples for the rest of the World Cup. Staples broke a bone in his left hand during a mid-air collision with All Black wing Jeff Wilson late in the first half; center Danaher originally pulled out of the squad because of business commitments, but agreed to fly out to South Africa after a telephone call from the manager, Noel Murphy... Australian number eight Troy Coker pulled a hamstring during training Sunday and may not be able to play again in the tournament, the Wallabies' coach, Bob Dwyer said. Coker will definitely miss Wednesday's match against Canada, with his place taken by Tim Gavin... Romania has left

World Cup Standings

FIRST ROUND									
Group A									
Team	GP	W	D	L	PF	PA	PTS	Pen	Disc
South Africa	1	1	0	0	34	3	3	0	0
Canada	1	0	0	1	3	34	0	0	0
Australia	1	0	0	1	18	27	1	0	0
Romania	1	0	0	1	3	34	0	0	0

Group B									
Team	GP	W	D	L	PF	PA	PTS	Pen	Disc
Wales	1	1	0	0	27	10	3	0	0
England	1	0	0	1	10	27	0	0	0
Argentina	1	0	0	1	18	24	1	0	0
Italy	1	0	0	1	18	24	1	0	0

Group C									
Team	GP	W	D	L	PF	PA	PTS	Pen	Disc
France	1	1	0	0	38	10	3	0	0
Scotland	1	0	0	1	10	38	0	0	0
Cote d'Ivoire	1	0	0	1	10	38	0	0	0

Group D									
Team	GP	W	D	L	PF	PA	PTS	Pen	Disc
Japan	1	0	0	1	10	38	0	0	0
Samoa	1	0	0	1	10	38	0	0	0
Italy	1	0	0	1	10	38	0	0	0

Group E									
Team	GP	W	D	L	PF	PA	PTS	Pen	Disc
Argentina	1	1	0	0	38	10	3	0	0
France	1	0	0	1	10	38	0	0	0
Italy	1	0	0	1	10	38	0	0	0

Group F									
Team	GP	W	D	L	PF	PA	PTS	Pen	Disc
Wales	1	1	0	0	27	10	3	0	0
England	1	0	0	1	10	27	0	0	0
Argentina	1	0	0	1	18	24	1	0	0

Carling Bruised in Limb And Pride After Match

Compiled by Our Staff From Dispatches

DURBAN, South Africa — Nursing bruised limbs and pride, England's captain, Will Carling, said Sunday his team had to improve considerably after its "very poor" showing against Argentina.

Carling will miss England's second match, against Italy on Wednesday, because of a badly bruised leg and ankle incurred during the 24-18 escape from an upset Saturday.

Rob Andrew kicked for all of England's points as the Pool B favorites could not score a try and needed poor kicking by the Argentinians to avoid defeat.

Limping on a thickly bandaged left leg, Carling said the full extent of his injury would only be known when the swelling subsided, but he noted there was no need for an x-ray.

More painful than the leg was his team's uninspired performance against Argentina.

"I did not expect us to get in the first half because we have not played for so long but I thought we would establish a pattern in the second half," Carling said. "We didn't. That is what I find so disappointing. There are no excuses."

The Pumas battled England evenly but did not take advantage of numerous chances and missed on five penalties and a

conversion. They also were frequently whistled by referee Jim Fleming of Scotland for off-sides, giving Andrew his chances.

The flyhalf kicked six penalties and two drop goals, while Argentina recorded the only two tries. The first came on a pack drive from the five-meter line with prop Patricio Noriega carrying, and the second was by Lisandro Arbuzo near the end.

Arbuzo also kicked two penalties and one conversion, on the Noriega try. But he missed three penalties, and the game ended with England desperately holding off the surging Pumas, who outscored the English by 18-12 in the second half.

New Zealand 43, Ireland 19: In Johannesburg, Jonah Lomu scored two tries and his spectacular run set up a third in the Pool C opener.

The Irish held their own against the favored All Blacks for the first 30 minutes, taunting them and incurring penalties for over-aggressiveness.

But when Lomu and center Frank Bunce went over a few minutes apart, the Irish never recovered. Then Lomu, the hulking young wing in his third test, broke five tackles on a run from his 22-meter line that ended just short, and flank Josh Kronfeld merely had to dive over for the try.

Western Samoa 42, Italy 18: In East London, Brian Lima and George Harder each scored two tries as Western Samoa combined flair and power to rout Italy in the Pool B opener.

Shem Tanupu and Darren Kellert also scored tries for the Samoans, who used strong mid-field tackling and opportunistic runs to frustrate the Italians. Kellert added three conversions and two penalties on a rainy day.

MONTE CARLO — Michael Schumacher took Sunday's Monaco Grand Prix with another comfortable victory gained by pit-lane strategy.

His Benetton-Renault crossed the finish line 34 seconds ahead of Damon Hill's Williams-Renault. Gerhard Berger, in a reserve Ferrari, came in third, a minute later.

Schumacher made one pit stop, Hill two. In winning the Spanish Grand Prix two weeks ago, Schumacher also made one pit stop less than most of the other contenders.

"It was planned like that," he said. "We calculated it and obviously it worked."

It was Schumacher's 13th career victory, his second straight at Monaco, and it extended his lead in the driver's standings. He now has 34 points and Hill 29. Schumacher has won three of the five races this season, Hill the other two.

Hill, who got the pole position by dominating Saturday's qualifying, was hoping to win the race his father, Graham, won five times. He was not happy with having finished second.

"This is a race you win and everyone else is runner-up," he said. "In qualifying the car was absolutely superb. In the race it was a fight. It lost something between yesterday and today."

Johnny Herbert, in the other Benetton-Renault, took fourth, more than a lap behind Schumacher.

Mark Blundell, who replaced Nigel Mansell in a McLaren-Mercedes this week, was fifth with Heinz-Harald Frentzen, in a Sauber-Ford, sixth.

Schumacher was timed in 1 hour, 53 minutes, 11.258 seconds for the 78 laps on the 3.328-kilometer (2.068-mile) street circuit, a total of 259.584 kilometers. He averaged 137.603 kph.

The race had to be restarted after a first-turn crash involving the Ferraris of Berger and Jean Alesi and the Williams-Renault of David Coulthard.

Hill then led for the first 23 laps before he went in for his first pit stop, which dropped him down to third.

Schumacher took over first and made his only tire and fuel stop at the end of 36 laps. That sent Alesi briefly ahead, and he turned in the fastest lap of the race just before he pitted and Schumacher went back in front.

Alesi lasted until the 42d lap when he collided with Martin Brundle's Ligier-Mugen. That eliminated both cars right in front of Hill.

"A car turned sideways right in front of Alesi," Hill said. "Alesi had nowhere to go."

That put Schumacher 15 seconds ahead of Hill, which was extended to 36 when Hill had to pit on the 52d lap.

Schumacher then cruised to victory, as both he and Hill eased up in the final laps. The first time the race went off, it was stopped after the collision between Alesi and Coulthard sent Coulthard's Williams-Renault airborne for a second and it stopped at the entrance to the curve.

Alesi's teammate, Berger, then ran into Coulthard, causing a roadblock.

Both Ferrari drivers had to go to their backup cars.

Alesi had had problems on Saturday, too, when his car quit

on the first warmup lap and had to borrow Berger's car in an attempt to improve his time. He dropped from first to fifth on the starting grid.

In Sunday's warmup he posted the fastest times in his own car. But his race in that car lasted less than 10 seconds as he attempted to go inside Coulthard in the race to the first curve.

Coulthard's backup lasted 17 laps before he went out with a broken gearbox while in third place.

The next race is the Canadian Grand Prix on June 11.

Villeneuve Takes Flag At Indy 500

The Associated Press

INDIANAPOLIS — Jacques Villeneuve overcame one penalty and won by another Sunday in an Indianapolis 500 that began with a crash and ended in dispute.

In a wild finish, Villeneuve raced to victory after Scott Goodyear was penalized with 10 laps to go for passing the pace car on the last restart.

With the black flag flapping in the brisk wind, Goodyear refused to come off the track. Even as Villeneuve guzzled milk in Victory Lane, Goodyear would not concede he had lost.

"It's quite disappointing to come down pit lane and get flagged down past victory circle," Goodyear said. "Everybody in the world knows who won this race."

Unless there is a change of heart by the U.S. Auto Club, the winner that everybody will know about is Villeneuve, son of the late Formula One star Gilles Villeneuve.

Villeneuve, 24, is the youngest driver to win the race since Troy Ruttman in 1952. He was penalized two laps early in the race, also for allegedly passing the pace car under a yellow flag.

It appeared that a great battle to the finish was unfolding as the pace car led Goodyear and second-place Villeneuve through turn three on lap 189, getting ready to let them get back to racing at the flagstand.

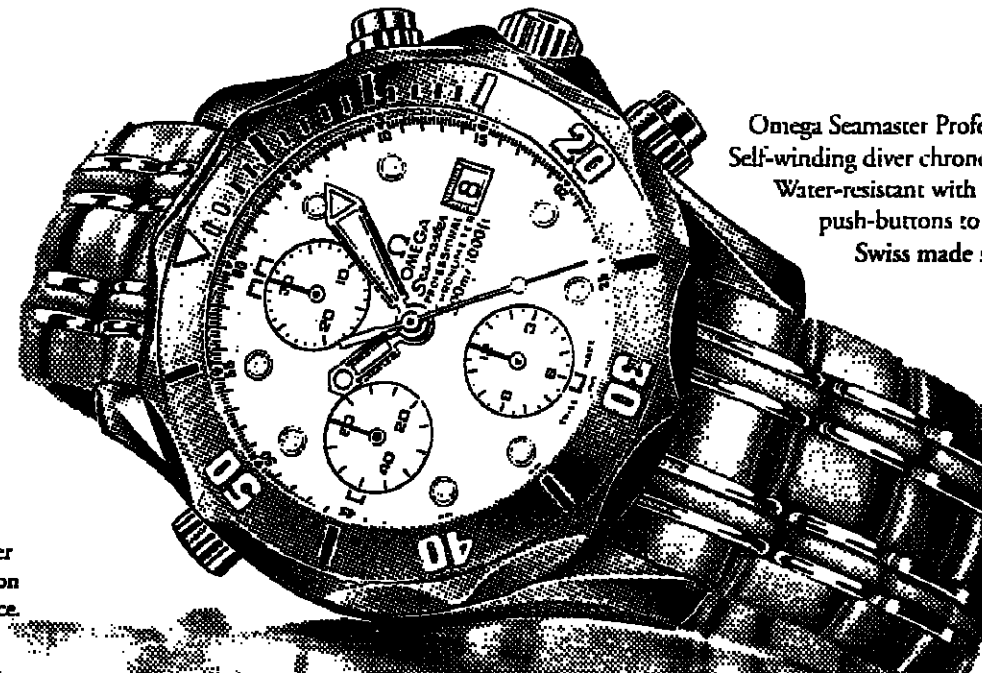
But as the pace car came onto the main straightaway near the pit entrance, Goodyear was suddenly up to speed and zooming past the Chevrolet Corvette on the inside as Villeneuve hit the brakes and maneuvered to keep from going by.

"By the time I was going past him, I saw the green light," Goodyear said. "That was disappointing. We were racing to the end."

The early two-lap penalty appeared to knock Villeneuve far out of contention, but he came back to the front using strategic pit stops and yellow flags.

In a race run without two-time winners Al Unser Jr. and Emerson Fittipaldi, rookie Christian Fittipaldi, Emerson's nephew, finished second, just ahead of former champion Bobby Rahal. Rookie Eliseo Salazar was fourth, followed by Robby Gordon.

Six cars were eliminated on the first lap when the car driven by Stan Fox suddenly veered to the right and slammed nearly head-on into the outside wall.



THE LINK BETWEEN EXCELLENCE AND SAILING

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LANGUAGE

New Wrinkles in Scheduling

By William Safire

WASHINGTON — "Time Line for State Dinner" is the title on the fax transmittal cover sheet from the Office of the First Lady. The next page to come whistling through was headed "The following is a tentative time line/schedule of press coverage for the White House State Dinner."

Time out. What is a time line? How does it compare to a time frame? How is it different from a schedule? I shot these questions over to Michael McCurry, the president's press secretary, who — in fine bureaucratic fashion — solicited a response from an aide at OLF.

"Subject: Derivation of 'Timeline,'" OLF reported. "The first lady's press office began using the term timeline in 1993, after the first state dinner hosted by the Clinton administration. The timeline is released for press planning purposes so that media organizations know what time to anticipate certain events."

That tells us that the term is to be written as a single word, *timeline*, and not two words as used in OLF press transmissions.

OLF denotes "The timeline refers to the sequence of events preceding and during a state dinner. A schedule refers to the activities of the principals (i.e., Pons, Flotus, etc.)." (Pons is the acronym for the initials of President of the United States; Flotus is for First Lady of the United States.)

New words find a welcome in this space, e.g., the term *time frame*, which is more specific than "peri-

od." But words created by bureaucrats to raise their "principals" a cut above the ordinary folk are unnecessary, and, worse, invite ridicule. Do the people in OLF (there's an acronym I'd take pains to avoid) understand the antedemocratic thrust of their coinage? For that matter, did anybody think of the meaning of *of-foi* when titling the Office of the First Lady?

For synonymists, the high point of the Simpson Murder Marathon occurred when Deputy District Attorney Hank Goldberg pointed to a plastic bag with an envelope inside and put this question to a Los Angeles Police Department criminalist, Dennis Fung: "Now, sir, I want to ask you about the condition of that item when you first opened it up on the witness stand and saw it. And distinguishing between the word *crumpled*, as in 'an item that's folded in on itself and kind of bunched together,' and *wrinkled*, meaning 'an item that may be folded but has creases that are apparent in it,' was this —"

According to the New York Times account, Judge Lance Ito "winked" at this, but when the defense objected, the judge overruled the objection and allowed the question.

"When you brought it out for the first time on the witness stand," the prosecutor continued, "was it crumpled?"

"No," said the witness.

"Was it wrinkled, as I've just... defined it?"

There were wrinkles in it," Fung replied.

Apparently that was not the answer the prosecutor

had hoped for. "O.K., but was it folded?"

"Yes."

Wrinkle, the noun and verb, comes from the Old English *gewrincian*, "to wind round, to twist," probably related to *wrench*. A wrinkle is a crease, a line that has been raised or indented on a surface by contraction or puckering. On skin, it is usually unwelcome, though Shakespeare wrote: "With mirth and laughter let old wrinkles come"; most references are pejorative.

At the Blue Ridge Factory Outlets, in Martinsburg, West Virginia, I picked up a pair of pants from J. Crew labeled "wrinkle resistant"; at the Ralph Lauren outlet, I bought a jacket with the label proclaiming the garment was "guaranteed to wrinkle."

Crumple, from the Middle English *crump* and related to *crimp* and *cramp*, means "to bend, to press in to small folds," sometimes with a sense of destruction: in Ben Jonson's 1606 play, "Volpone," a character warns, "He will crumple you like a hog-louse." In more recent slang, *to crumple* means "to fold, to give up."

To crumple is "to fold haphazardly"; *to wrinkle* is "to make a crease in," often by crumpling. The difference is illustrated in this 1711 line from Addison's Spectator No. 130 about fortune-tellers: "My friend Sir Roger alighted from his horse, and exposing his palm to two or three that stood by him, they *crumpled* it into all shapes, and diligently scanned every *wrinkle* that could be made in it."

Crumpling (folding) causes wrinkling (creasing), not the other way around.

New York Times Service

Mirror for Today: David Gill's Eclectic Mix

By Suzy Menkes
International Herald Tribune

LONDON — The gilded chest of drawers has funky bronze feet — as though it might patter off across the floor to commune with other objects: the shimmering silver cabinet; the radically chic ceramic vase printed with subversive messages; or the neoprimative cushion with punk-style raffia fringe.

Everything in David Gill's London gallery is so exceptional that it is difficult to see how the overall effect is so harmonious. Yet furniture by Mattia Bonetti and Elizabeth Garouste goes just fine with the Cotteau plate, the Bérard drawing, Aldo Mondino's painting and Grayson Perry's eccentric vases.

"I like contemporary things with an eye for tradition — and my point of view

Tastemakers
An occasional series about people for whom style is a way of life

links it all," says Gill, whose eclectic mix of art objects makes him an original voice in interior design.

Since Gill opened the impeccable white-walled space at 60 Fulham Road, West London, in 1987, his design eye and sure taste have become legendary.

Formerly in the Modern and Old Masters department at Christie's auction house, Gill picked Garouste and Bonetti as they started out; he plucked the veteran French designer Line Vautrin from obscurity, showed her whimsical metal objects in Tokyo with Comme des Garçons, and will mount a Vautrin exhibition at Bergdorf Goodman in New York in June.

Gill says he began with classic design "to reassure everyone that I knew what I was doing."

But the gallery's concept was always to introduce new artists who might create future classics. His quest is to select them in order "to put them up there." He remembers his first encounter with Garouste and Bonetti's baroque "Prince Imperial" chair in painted wood with straw "skin."

"It was totally impractical — a visual chair," he says. "But in that I saw the imagination of two artists who could think

up the chair. It reminded me of the imagination of Gauguin when he went and painted nature."

The current exhibition shows how the design duo has matured, offering a practical and stylish red leather chair with laced seams; the dazzlingly reflective silver cabinet; and two merry dancing-figure candlesticks that Gill admires because "everyone was doing straight candlesticks in aluminum."

The objects in Gill's gallery are mostly in limited editions — say, 30 for the candlesticks, 10 for a major piece of furniture, or until the artist has had enough, in the case of Oriol Harwood's baroque vases as heads with upstanding crowns of thorns.

The skill is in the selection of the artists for whom acceptance by Gill is like an international stamp of approval.

The gallery increasingly does exhibitions in other countries and its owner has become a tastemaker of postmodern design, with discreet connoisseurs or high-profile clients like Mick Jagger and Pamela Picasso.

Gill, with a Franco-Spanish mother and Dutch father, was brought up in Barcelona.

His studies at London University led to a thesis on "The Age of Baroque." He recognizes the cross-cultural influences of periods spent in Paris and of his knowledge of art history and says he lives "in a global world in my mind."

"When I look at the present day, it is like looking at a mirror with the knowledge of the past — I am looking for new forms and new materials," he says.

In his gallery, Gill has created an environment in which designers can grow and develop.

"What is important is interacting," he says. "You don't go to an artist and say 'let's show.' You make decisions together — more like artist and patron."

He cites a Delft-ese red lips stool as just the starting point of a future collaboration with an Argentine artist. And says that the silversmith Richard Vallis "gave something of himself that I had not imposed but suggested" in a three-year working relationship that started when the artist sent a picture on a postcard.

What about his own home? Gill admits that "I am always playing with my eye — I have to be stimulated by my surroundings." But he has not created, like many



David Gill, in his London gallery: A legendary eye and taste for design.

of his clients, a minimalist temple, finding their homes sometimes "too much like monasteries."

Gill took a Victorian house, focused on the basic structure, removed the decorative cornices and gathered "combinations of objects I enjoy looking at — objects that mean something to me." They include bookcases designed by Syrie Maugham in

1935, a Garouste and Bonetti dining table for Editions David Gill and a 1991 painting on glass by Aldo Mondino.

"My view is not a narrow view that you cannot put a modern chair in a baroque interior," says Gill. "You have to treat a building from its basic structure, taking what it has to offer you. Then what you put in that building is your soul."

WEATHER

Europe

	Today	High	Low	W	Today	High	Low	W
	High	Low	High	Low	High	Low	High	Low
Algiers	27/80	10/50	5	26/82	10/50	5	26/82	10/50
Amsterdam	10/54	11/52	1	17/62	11/52	1	17/62	11/52
Antwerp	27/80	14/57	5	28/84	14/57	5	28/84	14/57
Athens	26/82	16/64	5	28/82	16/64	5	28/82	16/64
Batavia	25/77	16/61	5	23/73	14/57	5	23/73	14/57
Bombay	28/82	16/61	5	26/82	17/62	1	26/82	17/62
Buenos Aires	26/79	14/57	5	24/76	13/55	5	24/76	13/55
Buenos Aires	21/70	11/48	1	18/54	8/48	5	18/54	8/48
Buenos Aires	27/80	16/61	5	26/76	15/61	1	26/76	15/61
Calcutta	29/77	13/55	5	27/71	12/53	5	27/71	12/53
Calcutta	28/84	21/70	5	28/84	20/68	5	28/84	20/68
Delhi	16/51	8/48	1	10/50	10/50	5	10/50	10/50
London	10/54	11/52	1	17/62	11/52	1	17/62	11/52
London	26/79	14/57	5	24/76	13/55	5	24/76	13/55
London	21/70	11/48	1	18/54	8/48	5	18/54	8/48
London	27/80	16/61	5	26/76	15/61	1	26/76	15/61
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London	27/80	16/61	5	26/76	15/61	1	26/76	15/61
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